

Secretarial Standard on Report of the Board of Directors (SS-4)

- Issued by The Institute of Company Secretaries of India (ICSI)
- Effective Date: As per latest provisions

Introduction

- SS-4 governs the preparation, structure, and disclosure requirements of the Board's Report.
- Ensures transparency, accountability, and compliance with the Companies Act, 2013.
- Covers both financial and non-financial aspects of corporate disclosures.
- Helps stakeholders assess company performance, governance practices, and strategic direction.

Scope of SS-4

- Applies to all companies required to prepare a Board's Report under the Companies Act, 2013.
- Includes disclosures for listed companies under SEBI Listing Regulations, 2015.
- Addresses additional compliance for overseas-listed companies and sector-specific regulatory frameworks.
- Ensures that the Board's Report aligns with other regulatory and financial reporting standards.

Key Definitions

- 'Act' refers to the Companies Act, 2013.
- 'Report' means the Board's Report prepared annually to disclose key financial and non-financial information.
- 'Committee' refers to board committees such as Audit, CSR, Nomination & Remuneration.
- 'Specified Securities' includes shares, debentures, and securities as per SEBI regulations.

Company-Specific Information

- Financial summary and operational highlights.
- Details on dividend declaration, reserves allocation, and profit distribution.
- Major events impacting business operations, mergers, acquisitions, and expansions.
- Corporate actions such as bonus issues, rights issues, or capital restructuring.

General Information

- Overview of industry performance and trends.
- Key regulatory and economic developments affecting business operations.
- Introduction of strategic and financial partnerships during the year.
- Delisting activities, if any, and their impact on investors and corporate governance.

Risk Management and Vigil Mechanism

- Identification and mitigation strategies for key financial, operational, and regulatory risks.
- Implementation of internal financial controls and risk monitoring mechanisms.
- Vigil mechanism for reporting unethical behavior, misconduct, fraud, and corporate malpractices.
- Web-link for whistleblower policy and confidential reporting framework.

Secretarial Audit and Compliance

- Statement on compliance with applicable Secretarial Standards and voluntary adoption of best practices.
- Secretarial Audit Report highlighting key observations, recommendations, and action taken.
- Explanations in response to qualifications, reservations, or adverse remarks by auditors.
- Compliance with corporate insolvency resolution procedures under IBC, 2016, if applicable.

Additional Disclosures

- Investor Education and Protection Fund (IEPF) transfers and unclaimed dividends.
- Particulars of loans, guarantees, and investments made during the year.
- Employee Stock Option Plans (ESOPs) and disclosures under SEBI (Share Based Employee Benefits) Regulations.
- Compliance with the Sexual Harassment of Women at Workplace Act and company's grievance redressal mechanism.

Material Legal and Regulatory Actions

- Details of any significant legal proceedings, court rulings, or regulatory penalties.
- Status of corporate insolvency proceedings, if any, and resolution plan implementation.
- Details of any corporate actions that were announced but not implemented due to regulatory or legal challenges.
- Explanation of material orders from judicial or regulatory bodies impacting business operations.

Capital and Debt Structure

- **ISSUE OF SHARES WITH DIFFERENTIAL VOTING RIGHTS (DVRS)**
- COMPANIES CAN ISSUE SHARES WITH DIFFERENTIAL VOTING RIGHTS TO PROVIDE FLEXIBILITY IN OWNERSHIP AND CONTROL.
- DVR SHARES ALLOW PROMOTERS TO RETAIN DECISION-MAKING POWER WHILE RAISING CAPITAL.
- MUST COMPLY WITH SEBI AND COMPANIES ACT, 2013 PROVISIONS REGARDING ELIGIBILITY, LIMITS, AND DISCLOSURES.

Management and Corporate Governance

• **Board Evaluation**

- Assessment of the Board's performance, including individual directors and committees.
- Conducted based on parameters like strategic direction, decision-making, governance practices, and stakeholder engagement.

• **Director's Responsibility Statement**

- A mandatory disclosure under the Companies Act, 2013.
- Confirms that financial statements comply with accounting standards, reflect a true and fair view, and are prepared using sound financial principles.
- Also includes statements on compliance with laws, internal financial controls, and risk management policies

Internal Financial Controls

- **Key Components:**
 - **Control Environment**
 - **Risk Assessment:**
 - **Control Activities.**
 - **Information and Communication**
 - **Monitoring and Evaluation**
- **Regulatory Framework:**
 - **The Companies Act, 2013 (India)** mandates internal financial controls for listed companies, requiring boards to confirm effectiveness in annual reports.
 - **International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP)** also emphasize strong internal financial controls.

Fraud Committed by Auditors

- **Types of Fraud:** Financial misrepresentation, collusion with management, omission of material facts, and fraudulent auditing practices.
- **Consequences:** Legal penalties, reputational damage, and financial losses for stakeholders.
- **Preventive Measures:** Strengthening internal audit procedures, enforcing independent oversight, and implementing whistleblower policies.

Disclosure Related to Subsidiary/ Associates and Joint Ventures

- **Regulatory Requirements:** Companies must disclose financial statements and significant transactions of subsidiaries, associates, and joint ventures as per the Companies Act and SEBI Listing Regulations.
- **Nature of Disclosures:**
 - **Financial Performance:** Separate financials, consolidated financials, and materiality assessment.
 - **Transactions and Investments:** Loans, guarantees, advances, or other transactions made to these entities.
 - **Significant Changes:** Any material changes in ownership, restructuring, acquisitions, or mergers.
- **Financial and Operational Impact:** Understanding the risks and benefits associated with these entities, such as potential liabilities, profitability, or operational dependencies.

- **Reporting Standards:**

- Compliance with **IFRS, GAAP, and Ind AS 110** for consolidated financial statements.
- Disclosure of cross-holdings and inter-company transactions to prevent conflicts of interest.

- **Periodic Assessment:**

- Continuous evaluation of performance, financial risks, and legal compliance of subsidiaries and associates.
- Annual reporting and audit requirements for material subsidiaries and joint ventures.
- Compliance with corporate governance norms regarding independent directors and management oversight.

DEPOSITS

- **Types of Deposits:** Fixed deposits, recurring deposits, unsecured deposits, etc.
- **Legal Compliance:** Adhering to the Companies Act provisions regarding acceptance, utilization, and repayment.
- **Disclosure Requirements:** Details about deposits accepted, outstanding amounts, and defaults if any.
- **Investor Protection Measures:** Ensuring proper documentation and security measures.
- **Risk Management:** Identifying risks associated with deposits and implementing mitigation strategies.

Loans & Guarantee

- **Loan Overview:**

- Loans granted to **directors, related parties, or external entities** must be disclosed with details on purpose, tenure, interest rates, and repayment terms.
- Compliance with **Section 186 of the Companies Act, 2013**, which regulates the granting of loans and investments by companies.

- **Guarantees Issued:**

- Disclosure of **corporate guarantees**, third-party guarantees, and any contingent liabilities arising from guarantees issued.
- Potential financial risks due to guarantees should be highlighted to prevent undue exposure.

Investments

- **Investment Details:**

- Investments in **equity, mutual funds, government securities, corporate bonds, and other financial instruments** must be clearly documented.
- Categorization of investments into **short-term and long-term** based on their liquidity and strategic purpose.

- **Compliance Requirements:**

- Board resolutions and shareholder approvals for loans, guarantees, and investments exceeding specified thresholds.
- Compliance with **SEBI Listing Regulations**, which mandate detailed disclosure of significant investments and related party transactions.

Contracts or Arrangements with Related Parties

- **Related Parties:-** Includes directors, promoters, key managerial personnel (KMP), subsidiaries, associates, and joint ventures.
- **Types of Transactions:**
 - Purchase or sale of goods, materials, or services.
 - Lease agreements and asset transfers.
 - Financial transactions such as loans, advances, and guarantees.
 - Cost-sharing arrangements and revenue-sharing agreements.

(A) contracts / arrangements / transactions with related parties which are not at arm's length basis;

(B) material contracts / arrangements / transactions with related parties which are at arm's length basis;

(C) contracts / arrangements with related parties which are not in the ordinary course of business and justification for entering into such contract.

Corporate Social Responsibility (CSR)

- Overview of CSR initiatives, community engagement, and sustainability efforts.
- Compliance with CSR spending obligations and disclosure requirements under Section 135 of the Companies Act.
- Impact assessment of CSR projects, utilization of allocated CSR funds, and social impact measurement.
- Statement from CSR Committee on the effectiveness and alignment of CSR activities with company policies.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

- **Conservation of Energy:**

- Steps taken to reduce energy consumption within operations.
- Adoption of renewable energy sources and energy-efficient technologies.
- Cost savings achieved through energy conservation measures.

- **Technology Absorption:**

- Investments in research & development (R&D) to enhance operational efficiency.
- Implementation of new technologies and their impact on productivity.
- Collaboration with technology partners and innovation initiatives.

- **Foreign Exchange Earnings and Outgo:**

- Details of foreign exchange earnings from exports or international business transactions.
- Foreign exchange outgo related to imports, services, and other transactions.
- Strategies to enhance foreign exchange earnings and mitigate risks related to currency fluctuations

Additional Disclosures under Listing Regulations

- **Statement of Deviation or Variation:**
 - Explanation of any deviations in the utilization of funds from the specified objectives.
 - Review of corrective measures taken to align with financial commitments.
- **Management Discussion and Analysis:**
 - Overview of business performance, industry trends, and economic factors affecting operations.
 - Discussion on financial results, risks, and future growth strategies.
- **Certificate on Compliance of Corporate Governance:**
 - Confirmation from auditors or regulatory bodies on adherence to corporate governance norms.
 - Ensuring ethical business practices, transparency, and accountability.
- **Suspension of Trading:**
 - Disclosure of reasons for suspension of securities trading, if applicable.
 - Actions taken to resume trading and communication with stakeholders.
 - Regulatory compliance measures followed during the suspension period.

Approval and Signing of Report

- **Board Approval:** The report must be reviewed and formally approved by the Board of Directors before submission to regulatory authorities and stakeholders.
- **Signatories:**
 - The report is typically signed by key executives such as the **Chairman, Managing Director (MD), Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Company Secretary (CS)**.
 - Directors' signatures confirm their accountability and responsibility for the accuracy of the report.
- **Regulatory Compliance:**
 - Ensuring the report complies with the **Companies Act, 2013, SEBI Listing Regulations, and Corporate Governance norms**.
 - Certification by auditors or compliance officers, if mandated by regulations.

- **Audit Committee Review:**

- The report must be reviewed by the **Audit Committee** to ensure accuracy, completeness, and regulatory adherence before board approval.
- Any discrepancies or concerns should be addressed before finalizing the report.

- **Stakeholder Communication:**

- **Internal communication:** Management teams and employees should be made aware of significant financial updates.
- **External communication:** The report is shared with investors, regulatory authorities, and exchanges as required.

- **Timely Filing and Submission:**

- Reports must be filed with regulatory bodies within prescribed deadlines.
- Non-compliance may lead to penalties or reputational risks for the organization.

Dissemination, Placing of Report on Website, and Filing & Submission

- **Website Placement:** Ensuring the financial report is uploaded on the company's official website in a designated section for investor relations.
- **Stock Exchange Filings:** Submission of the report to stock exchanges as per SEBI Listing Regulations.
- **Regulatory Authorities:** Filing with ROC, SEBI, or other relevant regulators to meet compliance requirements.
- **Stakeholder Accessibility:** Making the report easily accessible for shareholders, investors, and regulatory bodies.

Annexures to Report

- **Annexure A - Corporate Governance Report:** Compliance details with governance norms.
- **Annexure B - Secretarial Audit Report:** Report by the company secretary on compliance status.
- **Annexure C - Auditor's Certificate:** Independent auditor's verification and validation.
- **Annexure D - Sustainability & ESG Disclosures:** Reporting on environmental, social, and governance (ESG) aspects.
- **Annexure E - Related Party Transactions:** Detailed disclosures on transactions with related parties.
- **Annexure F - Management Discussion & Analysis (MD&A):** Discussion on financial performance, risks, and future outlook.
- **Annexure G - Risk Management Policy:** Details of risk identification, assessment, and mitigation strategies followed by the company.
- **Annexure H - CSR Activities Report:** Summary of corporate social responsibility initiatives undertaken, expenditures made, and impact assessment

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- **Annexure I - Whistleblower Policy:** Procedures for reporting unethical practices, financial fraud, and internal misconduct.
- **Annexure J - Dividend Distribution Policy:** Framework for dividend declaration, including profit allocation and investor returns.
- **Annexure K - Employee Stock Option Plan (ESOP) Report:** Details on employee stock options granted, exercised, and outstanding.
- **Annexure L - Internal Audit Report:** Summary of findings from internal audits, risk assessments, and corrective actions taken.
- **Annexure M - Business Responsibility & Sustainability Report:** Disclosures on environmental, social, and governance (ESG) initiatives in alignment with regulatory requirements.
- **Annexure N - Material Litigation & Legal Proceedings:** Information on ongoing or settled legal cases with financial or operational implications.

- **Annexure O - Foreign Exchange Earnings and Outgo:** Details of foreign currency transactions, including export revenue and import payments.
- **Annexure P - Tax Compliance Report:** Certification of compliance with direct and indirect tax obligations, including GST and income tax.
- **Annexure Q - Shareholding Pattern:** Breakdown of company ownership, including promoters, institutional investors, and public shareholders.
- **Annexure R - Borrowings and Debt Profile:** Disclosure of loans, bonds, and other financial instruments used for funding operations.
- **Annexure S - Details of Board and Committee Meetings:** Summary of board and committee meetings held, attendance records, and key decisions taken.
- **Annexure T - Code of Conduct Compliance Report:** Certification by directors and senior management affirming adherence to the company's code of conduct.

- **Annexure U - Internal Financial Control Report:** Evaluation of the effectiveness of internal financial controls in ensuring compliance and fraud prevention.
- **Annexure V - Industry & Market Outlook:** Insights on sectoral performance, emerging trends, and potential risks impacting business operations.
- **Annexure W - Director's Remuneration Report:** Details of remuneration paid to executive and non-executive directors, including bonuses and stock options.
- **Annexure X - Supplier & Vendor Transactions Report:** Disclosure of major supplier contracts, procurement policies, and risk exposure.
- **Annexure Y - Technology and Digital Transformation Initiatives:** Summary of IT investments, cybersecurity measures, and digital adoption strategies.
- **Annexure Z - Business Continuity & Disaster Recovery Plan:** Strategies for maintaining operational resilience in case of disruptions, cyber threats, or economic downturns.

Conclusion

- SS-4 ensures comprehensive and standardized corporate reporting in Board's Reports.
- Enhances investor confidence by promoting transparency, accountability, and regulatory compliance.
- Encourages companies to disclose financial and non-financial data effectively to all stakeholders.
- Strengthens governance, ethical business practices, and corporate sustainability.

Thank
You

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