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India

Corporate Governance

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

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

(b) The Indian Government is also looking to ease compliance burden to enable growth of corporates and businesses, and implementing policy reforms to encourage a more transparent and accountable governance structure, along with incentives to drive research and development, facilitate credit, make available low-cost green funding opportunities for equity and debt financing, simplify business regulations and regulatory framework, expedite approvals, permits and promote digitalization to enhance proficiency.

(c) As a part of efficient and effective governance, there is expected to be a lot of technology involvement, data analytics, artificial intelligence and blockchain, which will aid and assist in creating comprehensive digital records, facilitating record management and monitoring by companies and regulators.

(d) Banks in India have also initiated integration of Environmental, Social and Governance ('**ESG**') principles on an operational and lending level with a growing need for a separate ESG department and a dedicated ESG and Sustainability committee with a robust ESG policy for priority lending options based on an entity's ESG initiatives and long-term sustainability goals.

(e) In addition to the above, in August 2023, the Indian parliament had passed the Digital Personal Data Protection Act, 2023 ('**DPDP Act**'). Pursuant to this, recently, on 3rd January 2025, the Indian Ministry of Electronics and Information Technology released the draft Digital Personal Data Protection Rules, 2025 ('**Draft Rules**') for public consultation. The Draft Rules seek to operationalise key provisions of the DPDP Act, by clarifying the requirements for several ongoing obligations, such as the manner for providing consent notices, reporting personal data breaches, and obtaining verifiable consent for processing children's data, to name a few.

After completion of the consultation process, the Draft Rules may be revised and finalized by the Central Government, upon which they will be notified as the 'Digital Personal Data Protection Rules, 2025' by publication in the Official Gazette. This may occur when the DPDP Act itself is being notified for implementation or shortly thereafter.

(f) Further, 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.

(g) The Budget 2025 announced on February 1, 2025, also re-emphasised the Government of India's commitment to (i) enhance the ease of doing business in India; (ii) expand the scope of research and development; (iii) foster the domestic manufacturing sector; and (iv) fulfil the aspiration of a *Viksit Bharat* (Developed India).

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 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 atleast 1 (one) woman director and atleast 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), 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, injuncting or restricting certain transactions by the company, mandating audits and ordering remedial action.

In addition to the remedies available under civil laws, there are remedies available under criminal laws and other specific statutes to address breach of fiduciary duty and wrongful acts under the umbrella of other laws to address white collar crimes.

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 Activision 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?

A critical non-shareholder stakeholder for any corporate entity will be its employees and the interests of the employees are factored in by the corporate entities through various corporate policies formulated by corporate entities which provides for benefits in terms of insurance, travel concessions and modes of transportation, social memberships, vouchers and meal passes which are over and above the statutory benefits, available to an employee. Workmen category employees are also covered under the welfare legislations that exist in India, which provides for social security, health and safety, working conditions, retirement benefits and pensions.

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 ESG principles and the Business Responsibility and Sustainability Reporting ('**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.

Further, SEBI has notified a separate Chapter IVA on ESG Rating Providers ('**ERPs**') under the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 ('**CRA Regulations**').

Pursuant to the CRA Regulations, ERPs are *inter alia* required to register themselves with SEBI, rate the clients based on their BRSR filings and maintain all such documents / information as may be required by SEBI from time to time, including but not limited to the books of accounts, records, agreements and correspondence with the clients, ESG notes and ESG audit reports of the clients based on the client's BRSR filings and other reportings in the manner as may be specified under the CRA Regulations.

In addition to the above, in the event of any material developments reported in respect to a client including intimation of an occurrence, announcement, news, penalty in connection with ESG, which could impact the ESG profile of the client, the ERPs are now required within a period of 10 (ten) days, to review the ESG ratings of the client in light of the reported material developments.

Further, in the event the BRSR report published by a client reports any material developments which could impact the ESG profile of such client, the ERPs are required to review the ratings of such client within a period of 45 (forty-five) days from the date of publication of such BRSR report.

With a view to giving an additional regulatory push for sustainable finance, the Government of India has recently issued the Insurance Regulatory and Development Authority of India (Corporate Governance for Insurers) Regulations, 2024 mandating every insurer to have in place, a board approved ESG framework and to establish a comprehensive Climate Risk Management framework to facilitate the climate risk management, keeping in mind their size, nature and complexity of operations.

In addition to the above, as prevalent globally, the pressure to match the required capital intensive ESG practices has led to the risk of 'Greenwashing' and setting unrealistic expectations.

The Indian Government has also issued the Guidelines for Prevention and Regulation of Greenwashing, which encompasses actions such as concealing, omitting, or obscuring relevant information by exaggerating, making vague, false, or unsubstantiated environmental claims, under the Consumer Protection Act, 2019 which defines "**Greenwashing**" as: (a) any deceptive or misleading practice, which includes concealing, omitting, or hiding relevant information, by exaggerating, making vague, false, or unsubstantiated environmental claims; (b) use of misleading words, symbols, or imagery, placing emphasis on positive environmental aspects while downplaying or concealing harmful attributes. but shall not include (i) use of obvious hyperboles, puffery, or (ii) the use of generic colour schemes or pictures; either not amounting to any deceptive or misleading practice.

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 SEBIs 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?

The Union Budget 2024-25 had provided varied incentives to foster the adoption of ESG principles in line with the roadmap for a Viksit and Atmanirbhar Bharat (Developed and Self-reliant India).

The Budget 2025 announced on February 1, 2025, also re-emphasised the Government of India's commitment to (i) enhance ease of doing business in India; (ii) expand the scope of research and development; (iii) foster the domestic manufacturing sector; and (iv) fulfil the aspiration of a Viksit Bharat (Developed India).

For the **E**nvironment, the Budget 2025 has proposed tax incentives, including exemption from customs duty on key materials such as lithium-ion required for electric vehicle (EV) batteries. This move aims to reduce overall costs, encourage domestic manufacturing and support India's vision for a greener economy. In addition, the Government of India has also extended the *Jal Jeevan Mission* until 2028 with the ambitious goal of providing tap water to every rural household in India.

The Budget 2025 focuses on **S**ocial transformation through employment of youth by proposing to set-up 5 (five) National Centres of Excellence for skilling with global expertise and partnerships. Further, for the welfare of online platform workers, the Government of India has also announced making available identity cards and registration on the E-Shram portal and facilitating healthcare and social security under the PM Jan Arogya Yojana.

Governance plays a key role in monitoring the readiness, progress and overall growth with emphasis on ease of doing business through introduction of the Jan Vishwas Bill 2.0, with a view to decriminalising 100 (one hundred) provisions under various applicable laws and focussing on enabling growth, productivity, innovation and self-sufficiency by accelerating technological advancement, availability of capital, expansion of infrastructure and enhancing social capabilities.

There is a very clear mission to recognise and leverage the strength and value of the rich culture, ancient knowledge, heritage, arts, crafts, architecture, natural biodiversity and human capital that India has to offer.

With a view to build a sustained momentum in the economic growth, there is a clear mandate for the State Governments to showcase their strengths, the investor friendly ecosystem and their unique offerings.

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.

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