NEWSLETTER

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Welcome to the 14th edition of our Newsletter. Through this edition, we aim to keep our clients and readers apprised of significant legal developments, evolving trends, and key insights shaping the legal landscape, along with practical perspectives on their implications.

In this edition of our monthly newsletter, we take a closer look at three significant legal and regulatory developments shaping the Indian corporate landscape. From SEBI's evolving corporate governance framework and the proposed Corporate Laws (Amendment) Bill, 2026, to the implementation of the Central Labor Codes Rules, 2026, these changes reflect an increasing focus on transparency, accountability, and compliance. We provide a concise overview of these developments and their key implications for companies, boards, management teams, and employers across sectors.

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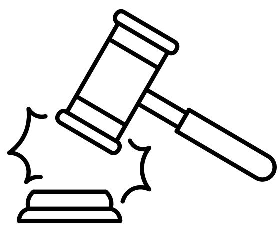

TIGHTENING THE REINS: SEBI'S CORPORATE GOVERNANCE REFORMS AND WHAT THEY MEAN FOR LISTED COMPANIES

Introduction:

India's listed companies are no strangers to regulatory change. But the reforms that *Securities and Exchange Board of India (SEBI)* introduced in between the late 2024 and 2025 stand apart, not just in their scale, but in their intent. These are not routine procedural tweaks. They address a problem that has persisted in Indian corporate culture for years: the gap between what governance looks like on paper and what actually happens inside boardrooms and audit committees. This article offers a concise overview of three key reform areas, their practical implications, and why they matter for investors and companies alike.

Related Party Transactions: Closing the Oversight Gap?

Few areas of corporate governance carry as much risk as *Related Party Transactions (RPTs)* , deals between a listed company and its promoters, directors, or associated entities. Done transparently, such transactions are perfectly legitimate. Done without proper oversight, they become a channel for siphoning value away from public shareholders. SEBI's December 2024 amendment to the Listing Obligations and Disclosure Requirements (LODR) Regulations tightened the procedural requirements significantly. Companies must now submit standardised disclosures to their audit committees before any RPT is approved, including the commercial rationale, transaction terms, and a written certification by promoters and key managerial personnel that the transaction is not prejudicial to public shareholders.

These disclosure standards were formalised through an Industry Standards Forum circular in February 2025, making compliance mandatory for all listed entities.

The Fifth Amendment to the LODR Regulations, notified in November 2025, went further by introducing a tiered materiality framework. Small RPTs below Rs. 1 crore are now exempt from detailed disclosure requirements. Moderate transactions attract limited disclosure. Only material RPTs above a prescribed threshold require full audit committee and shareholder approval. This calibration was overdue. The previous *"one-size-fits-all"* approach created compliance fatigue for larger companies on minor transactions while offering no proportionate benefit to shareholders.

Board Accountability: Who Is Really Watching?

The question of board independence has been debated in India for years. Independent directors exist to check promoter influence, but when promoters effectively control the appointment process, that check becomes theoretical in practice. SEBI addressed this directly. From April 1, 2024, non-executive and non-independent directors must obtain shareholder approval for their continuation at least once every five years. Directors who had served for five or more years without such approval were required to seek it at the first general meeting held after that date. This targets the *"directors in perpetuity"* problem head-on.

The March 2025 LODR Amendment extended comparable accountability standards to High Value Debt Listed Entities (HVDLEs) — companies with listed debt securities exceeding Rs. 1,000 crore. The amendment introduced a 75-year age cap for directors, required shareholder ratification of all director appointments within three months, and capped the total number of listed-entity directorships any individual may hold. The rationale for the cap is straightforward: a director spread across too many boards simply cannot provide meaningful oversight in any of them.

SEBI's informal guidance has also pushed the concept of independence beyond formal checklists. In Maxheights Infrastructure Limited (June 2024), SEBI held that independence must be assessed holistically, looking at the substance of a director's relationship with the promoter group, not merely at whether they technically fall within a negative eligibility list.

ESG Disclosures: From Voluntary to Mandatory

Sustainability reporting in India has crossed a significant threshold. Under the Business Responsibility and Sustainability Report (BRSR) framework, mandatory *Environmental, Social, and Governance (ESG)* disclosures now apply to the top 250 listed companies by market capitalisation from Financial Year (FY) 2025–26. This includes value chain disclosures and, progressively, third-party assurance of reported data.

The governance dimension of BRSR is worth highlighting. Companies are required to report on board composition and independence, risk management frameworks, ethics and anti-corruption policies, and data security practices. This is not merely an environmental reporting exercise — it is a comprehensive governance disclosure framework that speaks directly to how a company is run.

For companies outside the top 250, disclosures in FY 2025–26 remain voluntary. But the regulatory direction is clear, and institutional investors — particularly foreign portfolio investors — are already using BRSR data in their decision-making. Treating ESG compliance as a last-minute obligation is a risk companies can no longer afford.

What This Means in Practice

For compliance and legal teams, the immediate priorities are clear. RPT approval workflows need to be mapped against the new Industry Standards Forum (ISF) disclosure standards. Audit committees must receive substantive information, not just formal notice, before any related party transaction is signed-off.

On board governance, companies should audit the tenure of all non-executive, non-independent directors and confirm that the required shareholder approvals are in place. HVDLEs must additionally check compliance with the 75-year age threshold and the directorship cap. Any gaps should be addressed before the next general meeting.
On ESG, companies approaching the top 250 threshold by market capitalisation should start building their BRSR reporting infrastructure now, rather than waiting until the obligation becomes mandatory.

Conclusion

SEBI’s recent reforms send a clear message: listed companies are expected to govern themselves with real accountability — to shareholders, to audit committees, and to the market. The rules are more detailed and more demanding than before.

But rules alone do not change culture. These reforms will deliver meaningful results only if boards treat governance as a genuine business priority, if audit committees ask hard questions, and if SEBI follows through with consistent enforcement. The framework is in place. The responsibility to make it work rests with the institutions it governs.

CORPORATE LAWS (AMENDMENT) BILL, 2026: A NEW BLUEPRINT FOR CORPORATES IN INDIA.

Introduction:

The field of corporate law in India has seen various rounds of reforms, each addressing the need of the hour as a consequence of economic growth and globalization. The enactment of the Companies Act, 2013 marked an important landmark in the history of regulation in India. However, more than a decade since then, the inflexibility in terms of certain provisions in the said Act, especially relating to the stringent punishment for procedural defaults, and not having any provision pertaining to modern-day financial products, started hampering business activities. The Corporate Laws (Amendment) Bill, 2026 ("Bill"), introduced in the Lok Sabha on 23 March 2026, can be considered as the much needed response of Parliament to the issues arising from the structural defects in the Act.

Legislative Background and Scope

The Bill proposes certain amendments through 107 clauses dealing with provisions of not only the Companies Act, 2013, but also the LLP Act. Instead of an overhaul in its entirety, the Bill focuses on making selective amendments through which it seeks to achieve four primary goals: decriminalization of technical violations; simplification of thresholds and procedures; modernization of capital structure and governance; and incorporation of IFSC entities within a legal regime. It is important to mention here that the Bill has now been sent to a Joint Parliamentary Committee ("JPC") for further examination.

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III. Key Reforms Under the Companies Act, 2013

Another commercially important amendment introduced by the Bill includes the introduction of civil sanctions instead of criminal consequences for certain procedural violations. For example, failure to file a statement on wilful default by a producer company, not adhering to any requisition of the Registrar (apart from summonses), violations in relation to maintaining books of accounts, and non-compliance with rules will now invite the imposition of a civil sanction rather than an imprisonment or fine. In other words, this reflects an interesting philosophical development in recognition of the fact that it would be inappropriate to threaten a person, who holds the position of a company secretary or director, with imprisonment for missing a filing deadline. For example, any non-summonses requisition made by the Registrar will now carry a civil penalty of ₹10,000 for its non-compliance.

Under Section 2(85) of the Companies Act, 2013, the definition of 'small company' has been modified by the raising of both capital and revenue limits, from ₹10 crore to ₹20 crore, and from ₹100 crore to ₹200 crore respectively. Such small companies have to undertake fewer compliance requirements, including conducting only one Board meeting every year instead of every six months.

The CSR applicability threshold under the Companies Act, 2013 has undergone an amendment by increasing the net profit criteria from ₹50 lakhs to ₹1 crore. In addition, a grace period of 90 days compared to 30 days has been provided for transferring unspent amounts of CSR to designated funds with respect to the current projects. Even though it is argued that such a modification would weaken India's strong CSR tradition, it could simply be viewed as a pragmatic move, placing the obligation only upon the more profitable corporations.

The Bill identifies not just the conventional ESOP but other employee compensatory instruments such as RSU and SAR. This would allow Indian corporate laws to keep pace with global standards in providing corporations with more flexibility regarding retention-based incentive programs for its employees. Until this Bill, there existed no legal provisions in this regard, thus resulting in unnecessary uncertainty.

The Bill allows prescribed categories of companies to make two buy-back offers in one financial year. In conjunction with the modification made under the Income Tax Act, 2025 which has declared buy-back payments from dividend income to capital gain income, this reform will facilitate a more efficient capital distribution system.

The role of the National Financial Reporting Authority (NFRA) would be considerably empowered. Now it will have the powers to issue advice, warnings, train auditors, and take legal action in case of non-compliance. This ensures independence of the auditor at a time when many issues related to audits are gaining importance.

IV. Key Reforms Under the LLP Act, 2008

The statutory classification of "Specified IFSC LLPs" is suggested for those LLPs which conduct business in IFSCs such as GIFT City, Gandhinagar. Such LLPs are required to have their registered office at the IFSC, partner's capital contribution to be in any of the prescribed foreign currency, and their books of accounts to be kept in such foreign currency. This would formalize the inclusion of IFSC-based LLPs in the regulatory framework in support of India's dream of making GIFT City a financial center of the world.

It has been proposed that new section 57-A will allow specified trusts, which are registered with SEBI/IFSCA, to convert themselves into LLPs.

V. Corporate Impact

The collective effect of the changes is significant. Decriminalisation means an end to the 'chilling' effect that criminal consequences have traditionally had on decisions within companies. Recognition of RSUs and SARs and expansion of the buy-back period is useful for promoters and investors in their financial planning. The updated definition of small companies will result in direct cost saving. The establishment of the LLP structure will be particularly useful for IFSC companies.

The review process of the JPC may improve some aspects of the legislation, such as the grounds for disqualification and automatic vacating of office, but the change of direction towards outcome-based regulation cannot be stopped.

Conclusion

The Corporate Laws (Amendment) Bill, 2026 is lot more than just a mere piece of legislation. It showcases a responsible approach to regulation, one that knows the difference between misconduct in corporate and procedural lapses, and tackles each and every case in a significant manner. While the JPC is doing there evaluation, all connected parties such as industry, practice, or academia, should make it their duty to participate helpfully and constructively.

CENTRAL LABOR CODES RULES, 2026: KEY CHANGES AND EMPLOYER IMPLICATIONS

Introduction:

The Ministry of Labor and Employment, through notifications dated 8 May 2026, has operationalized the central rules under the four major labor codes: the Code on Wages, 2019; Code on Social Security, 2020; Occupational Safety, Health and Working Conditions (OSH) Code, 2020; and Industrial Relations Code, 2020. These Rules particularly apply to the establishments where the Central Government is the "appropriate government".

The notification of these Rules is a significant development. Although the Labour Codes had already been enacted, their practical implementation depended upon a procedural framework, which has now been introduced through these Rules. Also, these Rules make a clarity on the compliance obligation part, grievance mechanisms, working conditions, and the employer liabilities. They also operationalize various pending provisions that were on hold for a long time, such as model standing orders, worker re-skilling funds, vacancy reporting requirements and welfare cess obligation.

What are the Changes under the Code on Wages?

One of the most important changes under the Code is the formal institution of an 8-hour working day. Prior to this the draft rules allowed the government for the determination of working hours through the future modifications. But now the final rules explicitly fix the eight-hour at the standard working day. This aligns the Wages Code with the framework under the OSH Code requiring the reassessment of the shifts and overtime compliance mechanism by the employers.

There have been omissions in the Final Rules regarding the detailed criteria that the Central Government was required to consider while fixing minimum wages. Although this does not forthwith change the employer's obligation, establishments have to carefully monitor the future wage notification because government will retain broader discretion in wage determination.

There is another yet important change regarding the procedure for imposing fines and deductions on employees. Employers will now be required to issue a show-cause notice, within 7 days regarding any misconduct or deduction and if the employee fails to respond in that case, the employer may impose fine. However, the intimation of action must be provided within fifteen days. Now there is a clear mandate in of timeline compliance on internal disciplinary procedures and HR policies.

Changes under the Social Security Code

The Social Security Code has introduced some compliance and employee benefit changes. Earlier the provisions of the draft rules had provided that the registrations could automatically expire if there is no compliance filing was done for 24 months. This is acting as a shield for the employers from automatic registration cancellations which are due to operational inactivity, though formal, cancellation applications may be still required.

Employee welfare benefits under the Employees' State Insurance framework have been fortified. Payment of funeral expense to a family member or a person who actually incurs the expenditure on the funeral of the deceased insured person. Employers should update employee communication policies and benefit manuals accordingly.

The calculation of gratuities has undergone a significant change. When calculating "wages," earlier draft regulations expressly excluded elements like medical costs, stock options, and creche allowance. These exclusions have now been completely removed. Employers will therefore need to reevaluate gratuity provisions, pay structures, and actuarial obligations since gratuity calculations will be solely based on the primary statutory definition of wages.

The rules also discuss the introduction of provisions related to misuse of social security benefits. The Central Government can withdraw the benefits under the Social

Security Code after providing the concerned person an opportunity of being heard. This makes compliance monitoring and contractor oversight increasingly important for employers.

Changes under the OSH Code

- A number of occupational safety and compliance procedures are operationalized under the OSH Code. Although the government now has the power to change the threshold through future notifications, enterprises with 500 or more employees are still required to form a safety committee.
- The final regulations restrict the requirement to notify the Inspector-cum-Facilitator of the start and end of work. This obligation is currently limited to businesses that use contract labor or engage in construction-related activities, which lessens the burden of compliance for other industries.
- Annual health examinations are another big shift. The draft regulations mandated yearly medical tests for workers over forty in factories, mines, docks, and construction facilities. The final regulations confine this requirement to dock work and building or construction establishments, exempting manufacturers and mines.
- Additionally, a specific grievance redressal system for contract labor is established by the rules. Contract employees can now file complaints with the major employer about their pay, health, or working circumstances, and the employer has thirty days to address these issues. Therefore, employers who use contract labor must set up grievance panels and make sure that procedures are followed.

Further, the OSH Rules introduce:

- Mandatory update of establishment's details on the Shram Suvidha Portal within 6 Months;
- a prescribed format for appointment letters containing employee particulars;
- consolidation of statutory registers and annual return mechanisms; and
- operationalization of the conditions for women employment during night shifts between 7 PM to 6 AM.

Industrial Relations Code and Way Forward

The Industrial Relations Code has not introduced any major deviations between the draft and the final rules. However, it is to note that the major operational measures have now been enforced. Employers resorting to retrenchment have to contribute 15 days' wages of retrenched workers towards the reskilling-fund for the retrenched workers. The rules also operationalize grievance redressal committees and notify the sector – specific model standing for mining, manufacturing and service manufacturing and services establishments employing 300 or more workers.

All things considered, the announced regulations are a significant step towards the complete execution of India's labor law reforms. Employers under Central Government control are now required to engage in active compliance restructuring in addition to policy-level planning. T*he new regulations will necessitate a review of workplace safety measures, contractor management systems, HR policies, grievance procedures, compensation structures, and gratuity responsibilities. To guarantee uniform and legally compliant execution, companies that operate in several jurisdictions must also keep an eye on state-level regulation notifications.*

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