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# **CORPORATE GOVERNANCE AND THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015: A LEGAL PERSPECTIVE**

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## **ABSTRACT**

Corporate governance plays a crucial role in ensuring transparency, accountability, and ethical functioning within corporate entities. In India, the concept of corporate governance gained prominence after a series of corporate scandals such as Satyam Computer Services Ltd., IL&FS, and the Nirav Modi–PNB case, which highlighted serious lapses in management control and regulatory oversight. These incidents prompted the need for stronger laws and stricter compliance mechanisms.

The Securities and Exchange Board of India (SEBI), being the principal regulator of the securities market, introduced the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) to strengthen the governance framework for listed companies. The LODR Regulations aim to ensure fair practices, timely disclosures, and accountability of the board of directors towards shareholders and stakeholders.

This research paper examines the legal perspective of corporate governance under the SEBI (LODR) Regulations, 2015. It analyzes the key provisions related to board composition, audit committees, related party transactions, and disclosure requirements. It also discusses relevant judicial decisions, SEBI circulars, and enforcement mechanisms.

The study concludes that while the LODR Regulations have significantly enhanced transparency and investor protection, effective implementation still remains a challenge. Strengthening board independence, enforcing compliance through digital monitoring, and harmonizing the Companies Act, 2013 with SEBI regulations can further improve the quality of corporate governance in India.

**Keywords:** Corporate Governance, SEBI, LODR Regulations, Companies Act, Transparency, Legal Compliance.

## I. INTRODUCTION

Corporate governance has emerged as one of the most significant concepts in the corporate and financial sectors over the last few decades. It refers to the system of rules, practices, and processes through which a company is directed and controlled<sup>1</sup>. It defines the relationship among a company's management, board of directors, shareholders, and other stakeholders. The essence of corporate governance lies in ensuring that management acts in the best interest of all stakeholders while maintaining accountability, transparency, and integrity in business operations.<sup>2</sup>

In the Indian context, corporate governance became a matter of serious concern after a number of high-profile corporate frauds that undermined investor confidence and market stability.<sup>3</sup> Cases such as the Satyam Computer Services Ltd. v. Union of India<sup>4</sup> scandal in 2009, the IL&FS crisis<sup>5</sup>, and irregularities in non-banking financial companies (NBFCs) exposed significant governance lapses in corporate structures. These incidents demonstrated that merely having laws in place is insufficient unless there are strong monitoring and enforcement mechanisms.

Recognizing the need for a robust governance framework, the Securities and Exchange Board of India (SEBI), as the apex regulatory body of the securities market, introduced several reforms aimed at improving transparency and accountability among listed companies.<sup>6</sup> The most comprehensive of these reforms was the enactment of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, commonly referred to as the LODR Regulations.<sup>7</sup> These regulations consolidated various provisions from the earlier Listing Agreement and brought them under a uniform legal framework that governs all listed entities in India.

The LODR Regulations lay down clear obligations on companies concerning board

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<sup>1</sup> Christine A. Mallin, *Corporate Governance*, Oxford University Press, 2019, p. 3.

<sup>2</sup> A.C. Fernando, *Corporate Governance: Principles, Policies and Practices*, Pearson Education, 2020, p. 12.

<sup>3</sup> Report of the Kumar Mangalam Birla Committee on Corporate Governance, SEBI, 1999.

<sup>4</sup> *Satyam Computer Services Ltd. v. Union of India*, (2010) 8 SCC 372.

<sup>5</sup> *Infrastructure Leasing & Financial Services Ltd. (IL&FS) Case*, SEBI Order No. WTM/AB/EFD-1-DRA-IV/18/2019-20, dated 22 December 2019.

<sup>6</sup> SEBI Act, 1992, Section 11.

<sup>7</sup> SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Regulation 4(2).

composition, independent directors, audit committees, and related party transactions.<sup>8</sup> They also mandate timely and adequate disclosures of financial and operational information to the public and stock exchanges, thereby enhancing investor protection and corporate accountability. The aim is to ensure that shareholders receive accurate and complete information that enables them to make informed decisions.<sup>9</sup>

Moreover, the LODR Regulations reflect SEBI's effort to align Indian corporate governance standards with global best practices. They emphasize ethical conduct, compliance responsibility, and proactive disclosure. However, despite these progressive regulations, issues such as promoter dominance, lack of board independence, and ineffective enforcement continue to pose challenges.<sup>10</sup>

This research paper therefore examines the legal framework of corporate governance under SEBI (LODR) Regulations, 2015, its key provisions, the role of SEBI in enforcement, and the overall impact on corporate accountability in India. It also highlights relevant judicial decisions, SEBI circulars, and current challenges to evaluate whether these regulations have truly succeeded in building a transparent and responsible corporate culture in the country.

## II. LITERATURE REVIEW

### 1. Evolution of Corporate Governance in India

Corporate governance in India has developed gradually with the expansion of the corporate sector and the increasing integration of Indian markets with the global economy. The post-liberalization era of the 1990s emphasized the need for accountability, transparency, and ethical management in corporate functioning.<sup>11</sup> The Kumar Mangalam Birla Committee Report (1999) marked the first formal attempt to establish corporate governance standards in India. It introduced the role of independent directors, audit committees, and disclosure norms for listed companies.<sup>12</sup> Subsequent committees such as the Naresh Chandra Committee (2002) and Narayana Murthy Committee (2003) further emphasized the importance of auditor

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<sup>8</sup> SEBI, "Master Circular on Listing Obligations and Disclosure Requirements," Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2023/120, dated 11 July 2023.

<sup>9</sup> SEBI, "Report of the Committee on Corporate Governance," 2017 (Chairperson: Uday Kotak).

<sup>10</sup> Companies Act, 2013, Section 149 (Independent Directors) and Section 134 (Board's Report and Accountability).

<sup>11</sup> Christine A. Mallin, *Corporate Governance*, Oxford University Press, 2019, p. 4

<sup>12</sup> Report of the Kumar Mangalam Birla Committee on Corporate Governance, SEBI, 1999.

independence and board accountability.<sup>13</sup> Despite these developments, weak enforcement and voluntary compliance led to several governance lapses, highlighting the need for a strong legal and regulatory framework.<sup>14</sup>

## 2. SEBI's Role and Regulatory Framework

The Securities and Exchange Board of India (SEBI) has played a central role in strengthening corporate governance practices through various regulatory reforms. Initially, SEBI introduced Clause 49 of the Listing Agreement, which provided a uniform code of governance for listed entities.<sup>15</sup> Later, to simplify and consolidate multiple provisions, SEBI enacted the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations).<sup>16</sup> These regulations define specific responsibilities of listed companies, including disclosure obligations, board composition, related party transactions, and the role of independent directors. SEBI's continuous monitoring, issuance of circulars, and periodic amendments have made governance compliance more structured and enforceable.<sup>17</sup> The LODR Regulations thus represent SEBI's effort to create a transparent, investor-friendly market environment aligned with global standards.<sup>18</sup>

## 3. Impact of Corporate Frauds on Governance Reforms

Corporate frauds in India have acted as major catalysts for reforming governance mechanisms. The Satyam Computer Services Ltd. scandal in 2009 exposed deep-rooted issues of financial misreporting, weak internal controls, and board-level negligence.<sup>19</sup> This case revealed that voluntary governance practices were insufficient without a binding legal structure. Consequently, the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015 were introduced to make governance obligations mandatory.<sup>20</sup> Later corporate failures, such as the IL&FS crisis (2018) and Yes Bank governance lapses (2020), reaffirmed that strong supervision, risk management, and independent decision-making are essential for corporate

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<sup>13</sup> Narayana Murthy Committee Report on Corporate Governance, SEBI, 2003.

<sup>14</sup> Naresh Chandra Committee Report on Corporate Audit and Governance, 2002.

<sup>15</sup> SEBI Circular No. CFD/DIL/CG/1/2004/12/10, dated 29 October 2004.

<sup>16</sup> SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

<sup>17</sup> SEBI Master Circular on Listing Obligations and Disclosure Requirements, 11 July 2023.

<sup>18</sup> SEBI Act, 1992, Section 11.

<sup>19</sup> Satyam Computer Services Ltd. v. Union of India, (2010) 8 SCC 372.

<sup>20</sup> Companies Act, 2013, Chapter XI; SEBI (LODR) Regulations, 2015.

stability. These incidents also led SEBI to tighten disclosure norms and strengthen its enforcement mechanisms through circulars and penalties.

#### **4. SEBI (LODR) Regulations, 2015 – Legal and Academic Analysis**

The SEBI (LODR) Regulations, 2015 represent a milestone in India's journey towards strengthening corporate governance. They integrate principles of accountability, transparency, and timely disclosure into a single, enforceable framework.<sup>21</sup> The regulations cover key aspects such as the composition of the board, the role of independent directors, audit committees, and mandatory disclosure of material events.<sup>22</sup> Scholars have noted that these reforms have significantly improved investor confidence and market credibility, especially after the adoption of global best practices recommended by the Uday Kotak Committee (2017). However, despite these advancements, challenges remain in ensuring substantive compliance rather than mere procedural adherence. The overall consensus in literature is that while the LODR framework has improved governance quality, effective enforcement and ethical corporate behavior are the keys to its long-term success.<sup>23</sup>

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<sup>21</sup> SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Regulation 4(2).

<sup>22</sup> SEBI Master Circular on Listing Obligations and Disclosure Requirements, 11 July 2023.

<sup>23</sup> Sharma, R. & Kapoor, D., "Legal Dimensions of SEBI (LODR) Regulations, 2015," *Indian Journal of Law and Governance*, Vol. 14, 2021, p. 44.