22 June, 2026

Director (JCL),
Lok Sabha Secretariat,
Room No. 439, Parliament House annexe,
New Delhi 110001 India

**By email to:**
jcl.cell@lss.sansad.in

Dear Sir/Madam,

**Comments on India's Corporate Laws (Amendment) Bill, 2026**

We write on behalf of the Asian Corporate Governance Association (ACGA) to provide comments on India's Corporate Laws (Amendment) Bill, 2026 which was introduced to the Lok Sabha on 23 March 2026 and is currently open for public consultation. ACGA represents institutional investors including some of the largest investors globally (our membership can be found here: ACGA Members) with over US$40 trillion in assets under management. Our members are deeply invested in India's capital markets and committed to its long-term success.

We broadly support the proposed amendments of the Corporate Laws Bill which seeks to decriminalise procedural defaults, ease compliance burdens, modernise corporate governance practices and strengthen board independence, bring greater audit quality oversight with enhanced powers to the National Financial Reporting Authority (NFRA), among its various proposals. However, the two main areas where ACGA's recommendations diverge from the recommendations are that we disagree with: (1) the proposal to allow virtual-only shareholder meetings and recommend that shareholder meetings should either be physical or a hybrid arrangement to allow both in-person and virtual participation; and (2) if virtual-only extraordinary general meetings are permitted that the notice period for these meetings be shortened to just seven days rather than the current 21 days' notice required for all shareholder meetings. In other areas, we provide recommendations to align corporate practices in India with regional and global best practices.

In the following pages, we provide feedback on specific proposed amendments of the Corporate Laws (Amendment) Bill 2026 relevant to international investors. We appreciate the opportunity to provide these comments and remain available for further discussion. Thank you.

Yours faithfully,

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| Amar Gill | Dr. Helena Fung |
| Secretary General | Head of Research and Advocacy |



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## ACGA's specific comments on India's Corporate Laws (Amendment) Bill, 2026

The Corporate Laws (Amendment) Bill, 2026 (Bill) Corporate Laws (Amendment) Bill 2026) proposes extensive amendments to the Companies Act, 2013 (Act) and to the Limited Liability Partnership Act, 2008. ACGA's comments on the Bill will be restricted to the amendments to Companies Act, 2013 as these are of direct relevance to asset managers in the public markets who constitute the core of our investor membership.

**1. Issuance and buy-back of securities**

(i) Section 68: Buy-back of shares:

Amendments to Section 68 will permit companies to carry out up to two buy-back offers within a single financial year, provided the second is initiated no earlier than 6 months from the closure of the first. The Bill proposes to remove the requirement for the declaration of solvency to be verified by affidavit, i.e. reducing procedural compliance. The Bill proposes that contraventions relating to buy-backs be decriminalised and for civil penalties to be imposed for breaches in place of criminal liability.

**ACGA views:** We welcome the flexibility of allowing companies two buybacks in a financial year and to remove declaration of solvency to be verified by affidavit. We note, however, that significant buybacks will reduce the free float of the company especially if instituted in close succession. The Companies Act, 2013 allows buybacks of up to 25% of issued capital which may significantly reduce the free float of a company which increases the risk of price manipulation while also giving the promoters additional control in voting matters. We note that the Securities and Exchange Board of India (SEBI) Buy-Back of Securities Regulations, 2018[1] and the Companies Act, 2013 require shareholder approval via a Special Resolution for buybacks of over 10% of issued capital. Within the Asia Pacific region, this is similar to regulations in Australia that require shareholder approval for a buyback of more than 10% of voting shares over the prior 12 months.[2]

Given that the proposed amendment to Section 68 would allow up to two buy-backs within a single financial year, we recommend careful monitoring on the extent of the permitted buy-backs especially if there could be a second buyback in the same financial year and then repeated again after another six months in the next financial year. We recommend that each buyback instituted should be for up to 10%, i.e. a maximum of 20% in a financial year, and that shareholder approval should be required if cumulative buy-backs in a single financial year would be over 10% of issued capital.

**2. Audit and Governance**

(i) Section 134(3): Audit Committee Disclosures:

The board of directors (Board) under Section 134(3) will be required to provide explanations or comments on every observation or comment made by the auditors on financial transactions or matters having any adverse effect on the functioning of the company, as well as on any qualification, reservation, or adverse remark relating to the maintenance of accounts. The Board's report must disclose the composition of the Audit Committee; if the Board has not accepted any recommendation of the Audit Committee, a statement is to be provided setting out the reasons for non-acceptance.

**ACGA views:** In ACGA's view, the audit committee should be composed only of independent directors. The independent directors should have the appropriate skills and experience to serve on the audit committee and independently oversee financial matters at the company. This may include former chief finance officers (CFOs), accountants or directors with other relevant expertise. We are in agreement with the amendment that where the Board does not accept a recommendation of the Audit Committee, the statement setting out reasons should provide meaningful insight into the considerations and reasons for non-acceptance.



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(ii) Section 139(12): Exemption from Appointment of Auditors:

A new Section 139(12) is proposed empowering the Central Government to exempt, by rules, prescribed classes of companies fulfilling prescribed conditions from the requirement to appoint auditors. The amendment allows discretion to the Central Government to calibrate audit obligations based on company profile, with small companies likely to be the primary intended beneficiaries.

**ACGA views:** We would welcome more transparency on the rules that may allow certain classes of companies to be exempt from the requirement to appoint auditors. We recommend that these rules and classes of companies that may be exempt from appointing auditors be quite restricted in scope and made transparent. Crucially, the rules should be applied in a way that maintains a culture of robust audit standards across the Indian market and for relevant unlisted companies.

(iii) Sections 144 and 139(2): Restriction on Non-Audit Services by the Auditor

By Sections 144 and 139(2), an auditor or audit firm of prescribed classes of companies will be restricted from providing non-audit services to the audited company or its holding company or subsidiary. This restriction is to extend for a period of 3 years after the auditor or audit firm has completed its term as under the Act.

**ACGA views:** ACGA and our members are of the view that the external auditors should be free of any potential conflict of interest that may arise if their engagement with a company is linked with significant non-audit services that the auditor firm may also be providing to the company or related companies, including a holding company or a subsidiary of the audited company. In developed markets for instance the United States,[3] the European Union (EU)[4] and the United Kingdom,[5] the auditor is prohibited from providing a range of related services while fees for permissible non-audit services are capped at no more than 70% of average audit fees over the prior three years. In Singapore if non-audit fees are over 50% of audit fees, various disclosure requirements are triggered.[6]

There may be circumstances where the auditor's services may be more efficient and cost effective in certain related areas, for instance in reviewing interim accounts or providing tax advice. As observed across other jurisdictions, transparency on non-audit services provided and the amount relative to audit fees are mandated to ensure that non-audit fees are not at a level that may potentially compromise the audit of the company and may be permitted for operational and cost efficiencies. Where the auditor provides non-audit services, we recommend that the fees should be disclosed and should be no more than half of audit fees received from the company, that is no more than one-third of total fees (for audit and non-audit services) received by the auditor firm.

We are in agreement that non-audit fees should include any such fees received from a holding company or subsidiary of the audited company. We agree as well that a limit on the non-audit fees and transparency on such fees should be extended for three years after the auditor or audit firm has completed its term.

**3. Directors, Key Managerial Personnel (KMP) and Board Governance**

(i) Section 149: Independent director (ID) eligibility

The Bill proposes amending Section 149 to empower the Central Government to prescribe a lower percentage threshold below the existing 10% for the legal and consulting firm transaction test. A new section is proposed imposing a continuous obligation on every ID to ensure ongoing compliance with the eligibility criteria throughout the duration of their tenure, rather than only at the time of appointment. It is proposed that the cooling-off restrictions applicable to IDs be extended to the holding, subsidiary, and associate companies of the appointing company; any period served as an additional director shall be counted towards the prescribed tenure of an ID.


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**ACGA views:** We are in agreement, generally, on the independence criteria for independent directors and an ongoing compliance reporting obligation of every ID throughout the duration of their tenure and not just at the time of appointment. However, we note that 10% of legal and consulting firm fees as a cap for independence of candidates from these firms can be quite a significant amount in absolute terms. As such, we recommend that it be reduced to a 5% cap for a director from the relevant legal or consulting firm to be eligible to be classified independent. This approach would help to strengthen independence on the boards of companies in India, which we see as fundamental to good governance and creating value for the companies.

(ii) Section 161: Additional and casual vacancy directors:

The Bill proposes amending Section 161 to provide that an additional director may hold office only until the next general meeting or for a maximum period of 3 months from the date of appointment, whichever is earlier. For listed companies, Regulation 17(1C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) already prescribes a three-month outer limit. The Bill proposes to introduce a new prohibition preventing the Board from appointing any person as an additional director, alternate director, or a director against a casual vacancy, where such person's appointment was previously considered and not approved at a general meeting, unless prior shareholder approval is obtained.

**ACGA views:** We are in agreement on the prohibition to prevent company boards from appointing any person as an additional director, alternate director, or a director against a casual vacancy, where such person's appointment was previously considered and not approved at a general meeting. Any such appointment should receive prior shareholder approval.

(iii) Section 164: Director disqualifications

Under the amendment of Section 164, a person would be ineligible for appointment as a director if they have served, during the immediately preceding three financial years or in the current financial year, as an auditor, secretarial auditor, cost auditor, registered valuer, or insolvency professional of the company or its holding, subsidiary, or associate company. A second proposed clause introduces a "fit and proper person" requirement, providing that no person shall be eligible for appointment as a director unless the Board has assessed such person to be fit and proper in accordance with criteria to be prescribed by rules.

**ACGA views:** We are in agreement that persons should be ineligible for appointment as an ID if they have served within the immediately preceding three financial years as an auditor, secretarial auditor, cost auditor, registered valuer, or insolvency professional of the company. We commend that this restriction is to apply if the person had had such a role at the holding, subsidiary or associate companies within the group. We also support the introduction of a "fit and proper person" requirement, to ensure that no person shall be eligible for appointment as a director unless the Board has assessed the person to be fit and proper in accordance with relevant criteria and rules.

(iv) Section 165: Flexible cap on directorships:

The Bill proposes amending Section 165 to empower the Central Government to prescribe a lower maximum number of permissible directorships for specified classes of companies or categories of directors, beyond the general statutory caps.

**ACGA views**: We note that SEBI's Listing Obligations and Disclosure Requirement (LODR) allow an independent director to have up to seven such positions across listed companies.[7] As the number of diverse risks and opportunities facing companies continues to grow, directors are required to spend increasing amounts of time on each company. In 2025, Hong Kong brought down the number of boards that an independent director can serve on to six, while other markets including mainland China, Taiwan and Korea set a limit of three independent


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director positions that an individual may hold. In keeping with the global and regional trend of limiting the number of independent directorships, we believe that reducing the overall cap of directorships in India to five would be prudent.

(v) Section 166: Director duties

The Bill proposes amending Section 166 to confine criminal liability for breach of director's duties exclusively to contraventions involving the obtaining of, or attempting to obtain, undue gain or advantage. All other breaches of directors' duties are proposed to be decriminalised and replaced with a fixed civil penalty.

**ACGA views:** We are in agreement to restrict criminal liability for breach of director's duties only where contraventions result in, or are or an attempt to derive, personal gain. Other breaches may be decriminalised and replaced with a civil penalty, which however should be at a suitable level to act as a deterrent and foster due care to avoid any such breaches.

(vi) Section 167: Vacation of office:

The Bill proposed to amend Section 167 so that where a director incurs disqualification under Section 164(2), vacation of office in every company (including the defaulting company) will take effect 6 months from the date of incurring disqualification, or upon expiry of tenure, whichever is earlier, replacing the prior requirement for immediate vacation.

**ACGA views:** We recommend that there be no change in the current provision on immediate vacation of office for such a director and are against allowing a disqualified director to remain for another six months. Once a director is found to be disqualified and thus not eligible to be a director, he/she should be removed from the board immediately. If such a person remains on the board for a few more months, it becomes questionable to what extent the person has influenced the decisions of the board during this period.

**4. National Financial Reporting Authority (NFRA)**

The Bill proposes to insert new Sections 132A to 132K to strengthen the National Financial Reporting Authority (NFRA): it would be empowered to issue advisories, censures, and warnings, mandate additional professional training, and refer matters to the Central Government, among other measures. The Bill strengthens compliance by providing that non-compliance with NFRA's orders shall attract criminal consequences, including imprisonment of up to six months and fines of up to INR 25 lakh (USD 25,000) for individuals and fines of up to ten times of fees received for firms along with the possibility of additional debarment.

**ACGA views:** At present, the NFRA is not constituted as a body corporate, lacks independent regulation making powers, and is dependent on rules prescribed by the Ministry of Corporate Affairs for procedural matters. Its enforcement powers have been limited to penalties and debarment, with no statutory register of auditors under its jurisdiction and no mechanism to mandate periodic filings. The proposed amendments aim to transform NFRA from a quasi-departmental body operating into a full-fledged statutory regulator. Formal auditor oversight and registration framework would come under the NFRA.

ACGA supports the strengthening of audit oversight including regulation making and enforcement powers of the NFRA. These provisions appropriately strengthen NFRA's enforcement authority, for it not only to conduct inspections and quality reviews, but also to initiate inquiries, summon relevant persons, and impose penalties. We support a comprehensive and autonomous enforcement framework for the NFRA.



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**5. General Meetings - Modernisation of AGMs and EGMs**

The bill proposes amending Section 96 such that companies can now hold AGMs and EGMs physically, virtually, or in hybrid mode on a permanent statutory basis. It further mandates that at least one physical annual general meeting must be held every three years. In addition, it proposes that wholly virtual extraordinary general meetings may be convened with a minimum notice period of seven days, reduced from the existing requirement of 21 days.

**ACGA views:** ACGA notes the shift across market jurisdictions allowing virtual or hybrid meetings. The OECD Corporate Governance Factbook 2025 highlights that virtual-only shareholder meetings are now permitted in 85% of the 52 jurisdictions examined, while a larger percentage, 94%, allow hybrid meetings.[8] Within Asia, China and Malaysia do not allow virtual-only but permit hybrid meetings. The Malaysian regulators, in prohibiting virtual-only meetings as of March 2025, articulated the concern that virtual meetings weaken shareholder rights in particular the ability to ask questions and for equal participation, noting that not all shareholders have reliable internet access and are comfortable with digital platforms. [9] ACGA issued a commentary supporting the move by the Malaysian regulators.[10]

Notwithstanding these developments we note that, with some exceptions, many institutional investors remain concerned about virtual-only AGMs. They generally prefer hybrid formats, as purely virtual meetings can limit meaningful shareholder engagement, reduce opportunities for direct interaction with directors, and weaken accountability, particularly in markets with concentrated ownership.

As such ACGA does not generally favour virtual-only shareholder meetings. The majority of ACGA's investor members recommend hybrid meetings which allow equal participation for all shareholders: those who wish to attend physically as well as those who are not able to attend in-person but wish to participate in the proceedings. Hybrid meetings facilitate greater transparency in the proceedings while virtual-only meetings result in limited real-time engagement and may not provide effective questioning of boards and management.

We would emphasise that for hybrid (or virtual only) meetings, there should be safeguards to ensure fair access and participation for those who are connecting virtually, including allowing real-time questions, transparency on questions being put forward and contingency planning in case the electronic platform for the meeting malfunctions; the voting on the agenda items should remain open during the meeting itself allowing reasonable opportunity for shareholders online to register their vote. There would need to be credible independent verification that shareholder participation rights are fully respected. Best practices for hybrid meetings can be found online for instance by ACGA member, British Columbia Investment Management Corporation.[11] We recommend that the safeguards for shareholders to be made explicit in the relevant legislation.

ACGA also strongly urges against reducing the notice period to seven days from the existing requirement of 21 days for any shareholder meetings including for wholly virtual AGMs or EGMs. Investors need time to review the proposals; they may need to reach out to management for clarifications and to consult with relevant authorities and experts to arrive at an informed voting decision. This will not be possible for contentious matters If the notice period is shortened to seven days for certain shareholder meetings.

Within the region, the notice period for EGMs is often shorter than for AGMs: of the markets that ACGA covers, only Thailand allows a notice period for EGMs as short as seven days. The norm is a notice period of at least 14 days for EGMs in Japan, Korea, Singapore, Hong Kong and mainland China.

We would also note that for foreign investors, the deadline to submit votes for global proxy voting systems is often much shorter. Hence, cutting the notice period to seven days may in effect disenfranchise foreign investors.



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We therefore recommend keeping the notice period for all shareholder meetings, EGMs as well as AGMs, to be at least 21 days.

**6. Mergers, Amalgamations & Arrangements**

(i) Fast-track mergers:

In the Statement of Objects and Reasons, the Bill proposes that member approval threshold for fast-track mergers be reduced from 90% of total shares to 75% of value held by members present and voting. It further proposes that creditor approval be reduced from 90% to 75% in value.

**ACGA views:** We note that fast track merger route in India is available for a restricted set of companies: start-ups, small companies and a merger with a wholly-owned subsidiary.[12] If such mergers involve a public listed company, SEBI's regulations on schemes of control[13] would apply which require at least a majority of minority vote of shareholders of the listed company involved. We agree with the amendment on fast-track mergers in the Companies Act, 2013 given that any such merger involving listed companies will continue to require majority of minority approval.

[1] SEBI | Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 [Last amended on November 28, 2024]
[2] Corporations Act 2001 - Federal Register of Legislation – Part 2J.1 (sections 257B)
[3] PCAOB - Sarbanes Oxley Act of 2002 Section 201
[4] Guidelines on "Monitoring the fee cap of non-audit services"
[5] Regulation 13 of the Statutory Auditors and Third Country Auditors Regulations 2016
[6] Provision of Non-Audit Services to Listed Entities
[7] SEBI | Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Last amended on July 10, 2024] – Regulation 17A
[8] OECD Corporate Governance Factbook 2025 (EN)
[9] All PLCs Must Conduct Hybrid or Physical General Meetings From 1 March 2025 - Media Releases | Securities Commission Malaysia
[10] Regulators in Malaysia roll back virtual shareholder meetings | ACGA | Asian Corporate Governance Association
[11] BCI_Best-Practices-for-Hybrid-AGMs_Nov2025.pdf
[12] Section 233 of the Companies Act, 2013 and Rule 25 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016
[13] SEBI Master Circular on Schemes of Arrangement (2020)


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