

Clause 49 - Corporate Governance

The company agrees to comply with the following provisions:

I. Board of Directors

A. Composition of Board

(i) The board of directors of the company shall have an overall combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors. The number of independent directors would depend on whether the Chairman is executive or non-executive. In case of an executive chairman, at least one-third of board should comprise of independent directors and in case of a non-executive chairman, half of board should comprise of independent directors.

Explanation (i): For the purpose of this clause, the expression 'independent director' shall mean non-executive director of the company who

- a. apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies;
- b. is not related to promoters or management at the board level or at a level below the board;
- c. has not been an executive of the company in the immediately preceding three financial years;
- d. is not a partner or an executive of the statutory audit firm or the internal audit firm that is associated with the company, and has not been a partner or an executive of any such firm for the last three years. This will also

apply to legal firm(s) and consulting firm(s) that have a material association with the entity.

- e. is not a supplier, service provider or customer of the company. This should include lessor-lessee type relationships also; and
- f. is not a substantial shareholder of the company, i.e. owning two per cent or more of the block of voting shares.

Explanation (ii): Institutional directors on the boards of companies shall be considered as independent directors whether the institution is an investing institution or a lending institution.

(B) Non executive directors' compensation and disclosure:

(i) All compensation paid to non-executive directors shall be fixed by the Board of Directors and shall be approved by shareholders in a general meeting. Limits shall be set for the maximum number of stock options that can be granted to non-executive directors in any financial year aggregate. The stock options granted to the non-executive directors shall vest after a period of at least one year from the date such non-executive directors have retired from the Board of the Company.

(ii) The considerations as regards compensation paid to an independent director shall be the same as those applied to an executive director.

(iii) The company shall publish its compensation philosophy and statement of entitled compensation in respect of non-executive directors in its annual report. Alternatively, this may be put up on the company's website and reference drawn thereto in the annual report. The Company shall disclose on an annual basis, details of shares held by non-executive directors, including on an "if-converted" basis.

(iv) Non-executive directors shall be required to disclose the details of their holding (both own or held by / for other persons on a beneficial basis) in the listed company in which they are proposed to be appointed as directors, prior to their appointment. These details should accompany their notice of appointment.

(C) Independent Director

- i. Independent Director shall however periodically review legal compliance reports prepared by the company as well as steps taken by the company to cure any taint. In the event of any proceedings against an independent director in connection with the affairs of the company, defence shall be permitted on the ground that the independent director was unaware of his responsibility.
- ii. The considerations as regards remuneration paid to an independent director shall be the same as those applied to a non executive director.

(D) Board Procedure

- i. The board meeting shall be held at least four times a year, with a maximum time gap of four months between any two meetings. The minimum information to be made available to the board is given in Annexure–IA.
- ii. A director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director. Furthermore it should be a mandatory annual requirement for every director to inform the company about the committee positions he occupies in other companies and notify changes as and when they take place.

Explanation: For the purpose of considering the limit on committees on which a director can serve, all public companies, whether listed or not, shall be included and a private companies (i.e. private limited companies, foreign companies, etc.) shall be excluded.

- iii. Further only the three committees viz. the Audit Committee, the Shareholders' Grievance Committee and the Remuneration Committee shall be considered for this purpose.

(E) Code of Conduct

- i. It shall be obligatory for the Board of a company to lay down the code of conduct for its directors.

conduct for all Board members and senior management of a company. This code of conduct shall be posted on the website of the company.

- ii. All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The annual report of the company shall contain a declaration to this effect signed by the CEO and COO.

Explanation: For this purpose, the term "senior management" means personnel of the company who are members of the executive management / operating council (i.e. core management excluding Board of Directors). Normally, this would comprise members of management one level below the executive directors.

(F) Term of Office of Non-executive directors

- i. A person shall be eligible for the office of non-executive director so long as the term of office did not exceed nine years in three terms of three years each, running continuously.

II Audit Committee.

A. Qualified and Independent Audit Committee

A qualified and independent audit committee shall be set up and shall comply with the following:

- i. The audit committee shall have minimum three members. All the members of audit committee shall be non-executive directors, with a majority of them being independent.
- ii. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Explanation (i): The term "financially literate" means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation (ii): A member will be considered to have accounting expertise if he or she has a degree in accounting or a related field, or has worked in an accounting or related financial management position for at least five years.

related financial management expertise if he or she possesses exp in finance or accounting, or requisite professional certifica accounting, or any other comparable experience or background results in the individual's financial sophistication, including being or been a chief executive officer, chief financial officer, or other senio with financial oversight responsibilities.

- iii. The Chairman of the Committee shall be an independent director;
- iv. The Chairman shall be present at Annual General Meeting to answ shareholder queries;
- v. The audit committee should invite such of the executives, as it cons appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may a meet without the presence of any executives of the company. The f director, head of internal audit and when required, a representative external auditor shall be present as invitees for the meetings of the committee;
- vi. The Company Secretary shall act as the secretary to the committee

(B) Meeting of Audit Committee

The audit committee shall meet at least thrice a year. One meetir be held before finalization of annual accounts and one every six r The quorum shall be either two members or one third of the memr the audit committee, whichever is higher and minimum of two indeq directors.

(C) Powers of Audit Committee

The audit committee shall have powers which should inclu following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.

4. To secure attendance of outsiders with relevant expertise, if it cons necessary.

(D) Role of Audit Committee

(i) The role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disc of its financial information to ensure that the financial statement is c sufficient and credible.
2. Recommending the appointment and removal of external auditor, fi of audit fee and also approval for payment for any other services.
3. Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
 - a. Any changes in accounting policies and practices.
 - b. Major accounting entries based on exercise of judgment by manage
 - c. Qualifications in draft audit report.
 - d. Significant adjustments arising out of audit.
 - e. The going concern assumption.
 - f. Compliance with accounting standards.
 - g. Compliance with stock exchange and legal requirements concernin financial statements
 - h. Any related party transactions
4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
5. Reviewing the adequacy of internal audit function, including the stru of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequenc internal audit.

6. Discussion with internal auditors any significant findings and follow there on.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting matter to the board.
8. Discussion with external auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain area of concern.
9. Reviewing the company's financial and risk management policies.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment declared dividends) and creditors.

Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

Explanation (ii): If the company has set up an audit committee pursuant to provision of the Companies Act, the company agrees that the said audit committee shall have such additional functions and features as is contained in the Listing Agreement.

(E) Review of information by Audit Committee

(i) The Audit Committee shall mandatorily review the following information:

1. Financial statements and draft audit report, including quarterly / half-yearly financial information;
2. Management discussion and analysis of financial condition and results of operations;

3. Reports relating to compliance with laws and to risk management;
4. Management letters / letters of internal control weaknesses issued by statutory / internal auditors; and
5. Records of related party transactions
6. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee

III. Audit Reports and Audit Qualifications

A. Disclosure of Accounting Treatment

In case it has followed a treatment different from that prescribed by Accounting Standards, management shall justify why they believe alternative treatment is more representative of the underlying transactions. Management shall also clearly explain the alternative accounting treatment in the footnote of financial statements.

IV. Whistle Blower Policy

(A) Internal Policy on access to Audit Committees:

- i. Personnel who observe an unethical or improper practice (not necessarily a violation of law) shall be able to approach the audit committee without necessarily informing their supervisors.
- ii. Companies shall take measures to ensure that this right of access is communicated to all employees through means of internal circulars. The employment and other personnel policies of the company shall contain provisions protecting "whistle blowers" from unfair termination and other unfair prejudicial employment practices.
- iii. Company shall annually affirm that it has not denied any personnel access to the audit committee of the company (in respect of matters involving alleged misconduct) and that it has provided protection to "whistle blowers" from unfair termination and other unfair or prejudicial

employment practices.

- iv. Such affirmation shall form a part of the Board report on Corporate Governance that is required to be prepared and submitted together with the annual report.
- v. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

V. Subsidiary Companies

- i. The company agrees that provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of subsidiary companies
- ii. At least one independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.
- iii. The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.
 - (iv) The minutes of the Board meetings of the subsidiary company shall be placed for review at the Board meeting of the holding company.
 - (v) The Board report of the holding company should state that the Audit Committee has reviewed the affairs of the subsidiary company also

VI. Disclosure of contingent liabilities

- (i) The company agrees that management shall provide a clear description in plain English of each material contingent liability and the risks, which shall be accompanied by the auditor's clearly worded comments on the management's view. This section shall be highlighted in the significant accounting policies and notes to the accounts, as well as, in the auditor's report, where necessary.

VII. Disclosures

(A) Basis of related party transactions

(i) A statement of all transactions with related parties including basis shall be placed before the Audit Committee for approval/ratification. If any transaction is not on an arm's length management shall provide an explanation to the Audit Committee justifying the same.

(B) Board Disclosures –Risk management

(i) It shall put in place procedures to inform Board members about risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

(ii) Management shall place a report certified by the compliance of the company, before the entire Board of Directors every year documenting the business risks faced by the company, measures to address and minimize such risks, and any limitations to the risk capacity of the corporation. This document shall be formally approved by the Board.

(C) Proceeds from Initial Public Offerings (IPOs)

(i) When money is raised through an Initial Public Offering, the company shall disclose to the Audit Committee, the uses / applications of the proceeds by major category (capital expenditure, sales and marketing, research and development, capital, etc), on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for purposes other than those stated in the offer document/prospectus. This statement shall be certified by the independent auditors of the company. The audit committee shall make appropriate

recommendations to the Board to take up steps in this matter.

(D) Remuneration of Directors

a. All pecuniary relationship or transactions of the non-executive directors vis-à-vis the company shall be disclosed in the Annual Report.

(ii) Further the following disclosures on the remuneration of directors shall be made in the section on the corporate governance annual report.

a. All elements of remuneration package of all the directors i.e. salary, benefits, bonuses, stock options, pension etc.

b. Details of fixed component and performance linked incentives, along with the performance criteria.

c. Service contracts, notice period, severance fees.

d. Stock option details, if any – and whether issued at a discount and the period over which accrued and over which exercisable.

(E) Management

i. As part of the directors' report or as an addition thereto, a Management Discussion and Analysis report should form part of the annual report to shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the company's competitive position:

a. Industry structure and developments.

b. Opportunities and Threats.

c. Segment-wise or product-wise performance.

d. Outlook

e. Risks and concerns.

- f. Internal control systems and their adequacy.
- g. Discussion on financial performance with respect to operational performance.
- h. Material developments in Human Resources / Industrial Relations f including number of people employed.

Management shall make disclosures to the board relating to all financial and commercial transactions, where they have personal interest may have a potential conflict with the interest of the company at large (dealing in company shares, commercial dealings with bodies, which shareholding of management and their relatives etc.)

(F) Shareholders

(i) In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information:

- a. A brief resume of the director;
- b. Nature of his expertise in specific functional areas ; and
- c. Names of companies in which the person also holds the directorship or the membership of Committees of the board.

(ii) Information like quarterly results, presentation made by company analysts shall be put on company's web-site, or shall be sent in form so as to enable the stock exchange on which the company is listed to put it on its own web-site.

(iii) A board committee under the chairmanship of a non-executive director shall be formed to specifically look into the redressal of shareholder investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. This Committee shall be designated as 'Shareholders/Investors Grievance Committee'.

(iv) To expedite the process of share transfers the board of the company shall delegate the power of share transfer to an official committee or to the registrar and share transfer agent.

delegated authority shall attend to share transfer formalities once in a fortnight.

VIII. CEO/CFO certification

- i. CEO (either the Executive Chairman or the Managing Director) and CFO (whole-time Finance Director or other person discharging this function) of the company shall certify that, to the best of their knowledge and belief:
 - a. They have reviewed the balance sheet and profit and loss account its schedules and notes on accounts, as well as the cash flow statement and the Directors' Report;
 - b. These statements do not contain any materially untrue statement or any material fact nor do they contain statements that might be misleading;
 - c. These statements together present a true and fair view of the company and are in compliance with the existing accounting standards and / applicable laws / regulations;
 - d. They are responsible for establishing and maintaining internal controls and have evaluated the effectiveness of internal control systems of company; and they have also disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and what they have done or propose to do to rectify these;
 - e. They have also disclosed to the auditors as well as the Audit Committee instances of significant fraud, if any, that involves management or employees having a significant role in the company's internal control systems; and
 - f. They have indicated to the auditors, the Audit Committee and in the annual accounts, whether or not there were significant changes in internal control and / or of accounting policies during the year.

IX. Report on Corporate Governance

- (i) There shall be a separate section on Corporate Governance in the annual reports of company, with a detailed compliance report

Corporate Governance. Non-compliance of any mandatory requirement i.e. which is part of the listing agreement with reference thereof and the extent to which the non-mandatory requirements have been adopted should be specifically highlighted. The suggested items to be included in this report is given in Annexure-1B and non-mandatory requirements is given in Annexure –1C.

(ii) The companies shall submit a quarterly compliance report to stock exchanges within 15 days from the close of quarter in the format given below. The report shall be submitted either by the Compliance Officer or the Chief Executive Officer of the company after obtaining due approvals.

Format of Quarterly Compliance Report on Corporate Governance

Name of the Company:

Quarter ending on:

Particulars	Clause of Listing Agreement	Compliance status (Yes/No/N.A.)	Remarks
1	2	3	4
I. Board of Directors	49 I		
(A)Composition of Board	49(IA)		
(B)Non-executive Directors' compensation & disclosures	(IB)		
(C)Independent Director	(IC)		
(D)Board Procedure	9 (ID)		

(E)Code of Conduct	of	9 (IE)		
(F)Term of office of non-executive directors		49 (IF)		
II. Audit Committee		9 (II)		
(A)Qualified & Independent Audit Committee		9 (IIA)		
(B)Meeting of Audit Committee		9 (IIB)		
(C)Powers of Audit Committee		9 (IIC)		
(D)Role of Audit Committee		II(D)		
(E)Review of Information by Audit Committee		49 (IIE)		
III. Audit Reports and Audit Qualifications		49 (III)		
IV. Whistle Blower Policy		49 (IV)		
V. Subsidiary Companies		49 (V)		
VI. Disclosure of contingent liabilities		49 (VI)		

VII.Disclosures	49 (VII)		
(A)Basis of related party transactions	IIA)		
(B)Board Disclosures	(VIIB)		
(C)Proceeds from Initial Public offerings	49 (VIIC)		
(D)Remuneration of Directors	49 (VIID)		
(E)Management	(VIIE)		
(F)Shareholders	49 (VIIF)		
VIII.CEO/CFO Certification	49 (VIII)		
IX. Report on Corporate Governance	49 (IX)		
X. Compliance	49 (X)		

Note:

1) The details under each head shall be provided to incorporate information required as per the provisions of the clause 49 of the Agreement.

2) In the column No.3, compliance or non-compliance may be indicated Yes/No/N.A.. For example, if the Board has been composed in accordance with the clause 49 I of the Listing Agreement, "Yes" is indicated. Similarly, in case the company has not come out with a report, the words "N.A." may be indicated against 49 (VIIC).

3)In the remarks column, reasons for non-compliance may be indicated.

for example, in case of requirement related to circulation of information to the shareholders, which would be done only in the AGM/EGM, it may be indicated in the "Remarks" column as – "will be complied with AGM". Similarly, in respect of matters which can be complied with where the situation arises, for example, "Report on Corporate Governance" is to be a part of Annual Report only, the words "complied in the next Annual Report" may be indicated.

X. Compliance

The company shall obtain a certificate from either the auditor or a practicing company secretary regarding compliance of conditions of corporate governance as stipulated in this clause and annex the certificate with the directors' report, which is sent annually to all the shareholders of the company. The same certificate shall also be sent to the Stock Exchanges along with the annual returns filed by the company.

Schedule of implementation

(1) The provisions of the revised clause 49 shall be implemented as per the schedule of implementation given below:

(i) By all entities seeking listing for the first time, at the time of listing

(ii) By all companies which were required to comply with the requirement of the erstwhile clause 49 i.e. all listed entities having a paid up capital of Rs 3 crores and above or net worth of Rs 25 crores or more at any time in the history of the entity. These entities shall be required to comply with the requirement of this clause on or before March 31, 2015.

(2) The non-mandatory requirement given in Annexure – 1C shall be implemented as per the discretion of the company. However, disclosures of the adoption/non-adoption of the non-mandatory requirements shall be made in the section on corporate governance in the Annual Report.