

Appendix

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Appendix

Text of clause 49 of the Listing Agreement

I. Board of directors

A. *Composition of Board:* The board shall compose of executive and non-executive directors [NED] with not less than 50% comprising of NED. The composition of independent directors would depend on whether the chairman is executive or non-executive. If the Chairman is executive, at least half of the board should comprise of independent directors, and in case of non-executive chairman at least one-third board should comprise of independent directors.

Explanation defines that independent shall mean non-executive director who –

1. Apart from directors' remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its senior management or its holding, subsidiary or associated company;
2. Is not related to promoters or management at the board level or one level below the board;
3. Has not been an executive of the company in preceding three financial years;
4. Is not a partner or an executive of the statutory or internal audit firm of the company or not has been for the last three years. The same apply to legal and consulting firms, which have material association with the company;
5. Is not a supplier, service provider or customer of the company;
6. Is not a substantial shareholder owning 2% or more of the voting shares.

Institutional directors of investing or lending institution shall be considered as independent directors

B. *Non executive directors' [NED] compensation and disclosures:* All compensation paid to NED shall be fixed by board and approved by shareholders. Limits shall be set for the maximum number of stock options in any financial year and in aggregate. The stock option shall vest after at least one year from the date such NED retires. The same shall apply to independent directors.

The company shall publish the compensation philosophy and statement of entitled compensation of NED in its annual report or on the company's website. Company shall disclose details of shares held by NED on an annual basis. NED shall also required to disclose their shareholding (both own or held on beneficiary basis) in the listed company where they are proposed to be appointed.

C. *Independent director:* duty: Independent director shall 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 independent director in connection with the affairs of the company, defence shall not be permitted that he was unaware of this responsibility.

D. *Board Procedure:* The board meeting shall be held at least four times a year, with a maximum gap of four months between any two meetings. The minimum information made to the board shall be as per Annexure 1A. No director shall be a member of more than 10 committees or chairman of more than 5 committees across all companies in which he is a director. It is mandatory for every director to inform the company annually, about the committee positions he occupies in other companies and also to notify any change. However, for this purpose only public limited companies shall be included (private, foreign and charitable companies shall be excluded) and only membership of Audit, Remuneration and Shareholder grievance Committees shall be included.

E. *Code of Conduct:* The board shall lay down the code of conduct for all board members and senior management and company will post it on website. All board members and senior management affirm compliance with the code on an annual basis. The annual report shall contain a declaration to this affect by the CEO and COO.

F. *Term of Office of non-executive director:* NED can hold office for the maximum of 9 years in three terms of 3 Yrs each, running continuously.

II. Audit Committee

A. *Qualified and independent Audit Committee:* The Audit committee shall compose of minimum three non-executive directors out of whom the majority being of independent directors. All members should be financially literate and at least one should have accounting or related financial management expertise. The chairman shall be independent director and the company secretary shall act as secretary of the committee. The audit committee should invite the head of finance or such other executive to be present at its meeting. The finance director, head of internal audit, and representative of external auditor (if required) shall be present as invitees. The committee may meet without the presence of any executives.

B. *Meeting of Audit Committee:* It shall meet at least thrice a year, one meeting before the finalisation of annual accounts and than every six months. The quorum shall be either two independent members or 1/3 of the members whichever is higher.

C. *Powers of the Audit Committee:* The audit committee shall have powers to investigate any activity within its terms of reference; to seek information from any employee; to obtain outside legal or other professional advice; to secure attendance of outsiders with relevant expertise, if necessary.

D. *Role of the Audit Committee:* The role of the audit committee shall include the following:

1. Oversight of the company's' financial reporting process and the disclosure of financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee, and approval for payment for any other services.
3. Reviewing with management, the annual financial statement before submission to the board, with special focus on any changes in accounting policies and practices; major accounting entries based on exercise of judgment by management; qualification in draft audit report; any adjustment arising out of audit; the going concern assumption: compliance with accounting standards, compliance with stock exchange and legal requirements concerning financial statements; and any related party transactions.

4. Reviewing the adequacy of internal audit function with management, internal and external auditor. (i) Reviewing the adequacy of internal audit function including its structure, staffing, reporting structure and frequency of internal audit; discussion with internal auditor in regard to any significant finding and any follow up thereon; and reviewing the findings of any internal investigation by the internal auditor into matters where there is suspected fraud or irregularity or a failure of internal control system. (ii) Discussions with the external auditor regarding scope of audit as well as any area of concern (iii). Reviewing the company's financial and risk management policies. (iv) To look into the reasons for defaults in the payment of deposits, debentures, creditors, and dividend declared to shareholders.

E. Review of Information by Audit committee: The audit committee shall mandatorily review the financial statements and draft audit report, quarterly/half-yearly financial information; management 's discussion and analysis of financial condition and results of operation; reports relating to compliance with laws and to risk management; letters issued by internal auditors/ statutory auditors in regard to internal control weaknesses; records of related party transactions; to review the appointment, removal and remuneration of the chief internal auditor.

III. Audit Reports and Audit Qualifications

A. Disclosure of Accounting Treatment: If the company has followed a different accounting treatment than prescribed in Accounting Standard, the management shall justify why it is more representative of the underlined business transactions.

IV. Whistle Blower Policy

A. Internal policy on Access to Audit Committees: Any employee who observes an unethical or improper practice can approach to audit committee without informing their supervisors. This right of access shall be communicated to all employees. The employment and personnel policies shall protect such whistle blowers from unfair prejudicial practices. Company shall annually affirm that it has not denied any such access and also provided protection to such whistle blowers. This affirmation shall be part of the Board Report on Corporate Governance to be submitted together with Annual Report.

V. Subsidiary Companies

Provisions relating to the composition of the board of holding company shall be applicable to the board of subsidiary companies. At least one independent director of the holding company shall be on the board of subsidiary company. The audit committee of holding company shall also review the financial statements and investments made by the subsidiary company. The minutes of Subsidiary's board meeting shall be placed for review at the board meeting of holding company. The Board report of holding company should state that they have reviewed the affairs of subsidiary.

VI. Disclosure of Contingent Liabilities

The management shall provide a clear description of each material contingent liability and its risks, which shall be accompanied by the auditor's comments on the management's view. This shall be highlighted in the significant Accounting policies and notes on accounts as well as, in the Auditor's Report.

VII Disclosures

A. *Basis of Related Party Transactions:* Statement of all related party transactions shall be placed before the audit committee for approval/ ratification. If any transaction is not on an arm's length basis, management shall provide an explanation to audit committee justifying the same.

B. *Board disclosures – Risk Management:* There shall be a procedure to inform board members about the risk management and minimization procedures. These shall be reviewed to ensure that executive management controls risk through means of a properly defined framework. In each quarter, a report certified by the compliance officer shall be placed before the board for approval, documenting the business risks faced by the company, measures to address and minimize such risks, and any limitations to the risk taking capacity of the corporation.

C. *Proceeds from Initial Public Offerings (IPOs):* When money is raised through IPOs, a quarterly disclosure shall be made to the audit committee about the application of funds in major category (capital expenditure, sales and marketing, working capital etc). On annual basis, the company shall prepare statement of funds utilized for purposes other

than those stated in the offer documents/prospectus. Independent auditor of the company shall certify it and the audit committee shall make recommendations to the board on this matter.

D. *Remuneration of Directors:* All pecuniary relationships or transactions of the NED and the company shall be disclosed in the Annual Report. In the section on the Corporate Governance of the Annual Report, the following disclosures on the remuneration of directors shall be made: all elements of remuneration package i.e. salary, benefits, bonuses, stock options, pension etc; details of fixed components and performance linked incentives, along with performing criteria; service contracts, notice period and severance fees; stock option details –whether issued at a discount, period over which accrued, and when exercisable.

E. *Management:* Apart from director’s report, the Annual report shall include Management Discussion and Analysis Report. It shall include discussion on industry structure and developments, opportunities and threats, segment wise or product-wise performance. Outlook, risks and concerns, internal control systems and their adequacy, discussion on financial performance with respect to operational performance, material developments in human resources/ industrial relations, including number of people employed.

Management shall make disclosures to the board relating to all material financial and commercial transactions, where they have personal interest that may have a potential conflict with the interests of the company.

F. *Shareholders:*

In case of the appointment of a new director or re-appointment, the shareholders must be provided with a brief resume of the director, nature of his expertise, names of companies in which he holds directorships and the membership of committees of board. Information, like quarterly results, presentation made by companies to analysts shall be put on company’s website, or sent to stock exchange to put on their website.

‘**Shareholder/investor Grievance Committee**’ shall be formed under the chairmanship of a non-executive director to look into redressal of shareholders/investors complaint like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. To expedite the process of share transfers, the board shall delegate this power to an officer/or committee/or registrar/or share transfer agents, who shall attend share transfer formalities at least once in a fortnight.

VIII. CEO/CFO Certification

CEO and CFO of the company shall certify that: They have reviewed the balance sheet and profit and loss account and all its schedules and Notes on accounts, as well as the cash flow statement and the directors' report and these statements do not contain any materially untrue statement or omit any material fact or any statement that may be misleading.

These statements together present a true and fair view of the company, and are in compliance with the existing accounting standards/ applicable laws and regulations.

For the state that they are responsible for establishing and maintaining internal controls and have evaluated the effectiveness of the internal control systems; and they have also disclosed to the auditors and the audit committee about the deficiencies in the design or operation of internal controls, if any, and what they have done or to do to rectify these.

They have also disclosed to the auditors and the audit committee the instances of significant fraud, if any that involves management or employees who have a significant role in the internal control systems.

They have indicated to the auditors and audit committee and in the Notes on Accounts, whether there were significant changes in internal control and accounting policies during the year.

IX. Report on Corporate Governance

The Annual Reports of the company shall have a separate Section on Corporate governance, with a detail corporate governance compliance report (CGCR).

Non-compliance of any mandatory requirements with reasons thereof and the extent to which the non-mandatory requirements have been adopted should be highlighted (The suggested list of items to be included in this report is given in annexure- 1B and list of non-mandatory requirements is given in Annexure- 1C).

A quarterly compliance report shall be submitted to the stock exchange within 15 days from the close of quarter as per the format, either by the compliance officer or the CEO.

X. Compliance:

1. A certificate from the auditors or practicing company secretaries shall be annexed with the director report regarding compliance of the conditions of corporate governance as stipulated in clause 49.
2. This shall be sent to the stock exchange and shareholder annually along with the annual returns.

	Particulars	Clause of listing Agreement	Compliance Status (Yes/No/N.A)	Remarks
	Board of Directors (A) Composition of Board (B) Non-Executive directors' Compensation and disclosures (C) Independent director (D) Board Procedure (E) Code of conduct (F) Term of office of Non-Executive directors	49(I) 49(IA) 49(IB) 49(IC) 49(ID) 49(IE) 49(IF)		
II	Audit Committee (A) Qualified & independent Audit Committee (B) Meeting of Audit Committee (C) Powers of Audit Committee (D) Role of Audit committee (E) Review of information by Audit Committee	49(II) 49(IIA) 49(IIB) 49(IIC) 49(IID) 49(IIIE)		
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	Disclosure (A) Basis of related party Transactions (B) Board Disclosures (C) Proceedings from initial Public offerings (D) Remuneration of Directors (E) Management (F) Shareholders	49(VII) 49(VIIA) 49(VIIB) 49(VIIC) 49(VIID) 49(VIIE) 49(VIIF)		
VIII	CEO/CFO certification	49(VIII)		
IX	Report on Corporate governance	49(IX)		
X	Quarterly Compliance Report to Stock Exchange by Compliance Officer	49(X)		

Information to be Placed Before Board of Directors

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the company and it's operating divisions or business segments.
4. Minutes of meeting of Audit committee and other Committees of the boards.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution, notices and penalty notices, which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.

12. Significant labour problems and their proposed solutions. Any significant development in human resources / industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme etc.
13. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. Non- compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

Suggested List of Items to be included in the Report on Corporate Governance in the Annual Report of Companies

1. A brief statement on company's philosophy on Code of Governance.
2. Board of directors
 - (i) Composition and category of director, for example, promoter, executive, non-executive, independent non-executive, nominee director, which institution represented as lender or as equity investor.
 - (ii) Attendance of each director at the BoD meetings and the last AGM.
 - (iii) Number of other BoDs or Board Committee in which he/she is a member or Chairperson.
 - (iv) Number of BoD meetings held, dates on which held.
3. Audit Committee
 - (i) Brief description of terms of reference.
 - (ii) Composition, name of members and chairperson.
 - (iii) Meetings and attendance during the year.
4. Remuneration committee
 - (i) Brief description of terms of reference;
 - (ii) Composition, name of members and Chairperson;
 - (iii) Attendance during the year.
 - (iv) Remuneration policy.

(v) Details of remuneration to all the directors, as per format in main report.

5. Shareholders Committee

(i) Name of non-Executive director heading the committee;

(ii) Name and designation of Compliance Officer;

(iii) Number of shareholders' complaints received so far;

(iv) Number not solved to the satisfaction of shareholders;

(v) Number of pending complaints.

6. General body meetings

(i) Location and time, where last three AGMs held;

(ii) Whether any special resolutions passed in the previous 3 AGMs;

(iii) Whether any special resolutions passed last year through postal ballot- details of voting pattern;

(iv) Person who conducted the postal ballot exercise;

(v) Whether any special resolution is proposed to be conducted through postal ballot;

(vi) Procedure for postal ballot.

7. Disclosures

(i) Disclosures on materially significant related party transactions that may have potential conflict with the interests of company at large.

(ii) Disclosure of accounting treatment, if different, from that prescribed in Accounting Standards with explanation.

- (iii) Details of non-compliance by the company, penalties, strictures imposed on the company by stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- (iv) Whistle Blower Policy and affirmation that no personnel has been denied access to the Audit Committee.

8. Means of communication

- (i) Half-yearly report sent to each household of shareholders;
- (ii) Quarterly results;
- (iii) Newspapers wherein results normally published;
- (iv) Any website, where displayed;
- (v) Whether it also displays official news releases; and
- (vi) The presentations made to institutional investors or to the analysts;
- (vii) Whether MD&A is a part of Annual Report or not.

9. General shareholder information

- (i) AGM: Date, time and venue;
- (ii) Financial calendar;
- (iii) Date of book closure;
- (iv) Dividend payment date;
- (v) Listing on stock exchanges
- (vi) Stock Code
- (vii) Market Price Data: High, Low during each month in last financial year;

- (viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc;
- (ix) Registrar and Transfer Agents;
- (x) Share transfer system;
- (xi) Distribution of shareholding;
- (xii) Dematerialization of share and liquidity;
- (xiii) Outstanding GDRs/ADRs/ warrants or any convertible instruments, conversion date and likely impact on equity;
- (xiv) Plant locations;
- (xv) Address for correspondence.

Non - Mandatory Requirements

1. Chairman of the Board:

A non-executive Chairman should be entitled to maintain office at company's expense, and allowed reimbursement of expenses incurred in performing his duties.

2. Remuneration Committee:

The board should set up a remuneration committee to determine company's policy on remuneration packages for executive directors, pension rights and any compensation payment. It shall comprise of at least three non-executive directors, the chairman being an independent director. All the members should be present at remuneration committee meeting and the chairman should be present at the general meeting to answer shareholder queries.

3. Shareholder Rights:

Half-yearly declaration of financial performance including summary of the significant events in the last six-months should be sent to each household of shareholders.

4. Postal Ballot:

A provision for postal ballot for key decisions like alteration of memorandum, sale of whole or substantially the whole of undertaking.

5. Audit qualifications:

Company may move towards a regime of unqualified financial statements.

6. Training of Board Members:

Company shall train board members in the business model of the company as well as its risk profile, their responsibilities as directors, and the best way to discharge them.

7. Mechanism for evaluating Non-executive board Members:

The performance of non-executive directors should be done by entire board, excluding the director being evaluated to determine whether to extend the terms of their appointment.