



CORPORATE GOVERNANCE POLICY OF REPCO HOME FINANCE LIMITED

(Clause 49 of listing agreement)

INTRODUCTION:

Corporate governance is about commitment to values and about ethical business conduct. It is about how an organization is managed. This includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders.

Corporate governance is primarily the responsibility of the Board as a group. The Board performs its duties with the support of managerial staff. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company is an important part of corporate governance. This improves public understanding of the structure, activities and policies of the organization. Consequently, the organisation is able to enhance the trust and confidence of the stakeholders.

CORPORATE GOVERNANCE PHILOSOPHY AND PRACTICE

The Company appreciates the need of upholding the highest standard of corporate governance in its operations, which can be summarized as attainment of highest levels of transparency and accountability in all its business dealings and enhancement of all stake holders' value including the shareholders, employees, government and lenders.

The responsibility of upholding these highest standards of governance lies with the Board of Directors of the Company.

GUIDELINES ON CORPORATE GOVERNANCE

The Company has framed the following guidelines on Corporate Governance

I. The company will comply with the provisions of Clause 49 which will be implemented in a manner so as to achieve the objectives of the principles as mentioned below. In case of any ambiguity, the said provisions will be interpreted and applied in alignment with the principles.

A. The Rights of Shareholders

1. The company will protect and facilitate the exercise of shareholders' rights.

a. Shareholders will have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes.

b. Shareholders will have the opportunity to participate effectively and vote in general shareholder meetings.

c. Shareholders will be informed of the rules, including voting procedures that govern general shareholder meetings.

d. Shareholders will have the opportunity to ask questions to the board, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.

e. Effective shareholder participation in key Corporate Governance decisions, such as the nomination and election of board members, would be facilitated.

f. The exercise of ownership rights by all shareholders, including institutional investors, would be facilitated.

g. The Company will have an adequate mechanism to address the grievances of the shareholders.

h. Minority shareholders will be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and would have effective means of redress.

2. The company will provide adequate and timely information to shareholders.

a. Shareholders will be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be discussed at the meeting.

b. Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership will be disclosed.

c. All investors will be able to obtain information about the rights attached to all series and classes of shares before they purchase.

3. The company will ensure equitable treatment of all shareholders, including minority and foreign shareholders.

- a. All shareholders of the same series of a class will be treated equally.
- b. Effective shareholder participation in key Corporate Governance decisions, such as the nomination and election of board members, will be facilitated.
- c. Exercise of voting rights by foreign shareholders will be facilitated.
- d. The company will devise a framework to avoid Insider trading and abusive self-dealing.
- e. Processes and procedures for general shareholder meetings will allow for equitable treatment of all shareholders.
- f. Company procedures will not make it unduly difficult or expensive to cast votes.

B. Role of stakeholders in Corporate Governance

1. The company will recognize the rights of stakeholders and encourage co-operation between company and the stakeholders.

- a. The rights of stakeholders that are established by law or through mutual agreements are to be respected.
- b. Stakeholders will have the opportunity to obtain effective redress for violation of their rights.
- c. Company will encourage mechanisms for employee participation.
- d. Stakeholders will have access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in Corporate Governance process.
- e. The company will devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.

C. Disclosure and transparency

1. The company will ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the company.

- a. Information will be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.

b. Channels for disseminating information will provide for equal, timely and cost efficient access to relevant information by users.

c. The company will maintain minutes of the meeting explicitly recording dissenting opinions, if any.

d. The company will implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and will also ensure that the annual audit is conducted by an independent, competent and qualified auditor.

D. Responsibilities of the Board

1. Disclosure of Information

a. Members of the Board and key executives will be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

b. The Board and top management will conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision-making.

2. Key functions of the Board

The board will fulfill certain key functions, including:

a. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.

b. Monitoring the effectiveness of the company's governance practices and making changes as needed.

c. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.

d. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.

e. Ensuring a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.

f. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

g. Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

h. Overseeing the process of disclosure and communications.

i. Monitoring and reviewing Board Evaluation framework.

3. Other responsibilities

a. The Board will provide the strategic guidance to the company, ensure effective monitoring of the management and will be accountable to the company and the shareholders.

b. The Board will set a corporate culture and the values by which executives throughout a group will behave.

c. Board members will act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.

d. The Board will encourage continuing directors training to ensure that the Board members are kept up to date.

e. Where Board decisions may affect different shareholder groups differently, the Board will treat all shareholders fairly.

f. The Board will apply high ethical standards. It will take into account the interests of stakeholders.

g. The Board will be able to exercise objective independent judgement on corporate affairs.

h. Boards will consider assigning a sufficient number of non-executive Board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest.

i. The Board will ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the company to excessive risk.

- j. The Board will have ability to ‘step back’ to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the company's focus.
- k. When committees of the board are established, their mandate, composition and working procedures will be well defined and disclosed by the board.
- l. Board members will be able to commit themselves effectively to their responsibilities.
- m. In order to fulfil their responsibilities, board members will have access to accurate, relevant and timely information.
- n. The Board and senior management will facilitate the Independent Directors to perform their role effectively as a Board member and also a member of a committee.

II. Board of Directors

A. Composition of Board

1. The Board of Directors of the company will have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty percent of the Board of Directors comprising non-executive directors.
2. Where the Chairman of the Board is a non-executive director, at least one-third of the Board will comprise independent directors and in case the company does not have a regular non-executive Chairman, at least half of the Board will comprise independent directors.

Provided that where the regular non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company will consist of independent directors.

Explanation: For the purpose of the expression “related to any promoter” referred to in sub-clause (2):

- i. If the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees will be deemed to be related to it;
- ii. If the promoter is an unlisted entity, its directors, its employees or its nominees will be deemed to be related to it.”

B. Independent Directors

1. For the purpose of the clause A, the expression ‘independent director’ will mean a non-executive director, other than a nominee director of the company:

a. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

b. (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

c. apart from receiving director's remuneration, has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

d. none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;

e. who, neither himself nor any of his relatives —

(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company;

(v) is a material supplier, service provider or customer or a lessor or lessee of the company;

f. who is less than 21 years of age.

Explanation

For the purposes of the sub-clause (1):

i. "Associate" will mean a company which is an "associate" as defined in Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

ii. "Key Managerial Personnel" will mean "Key Managerial Personnel" as defined in section 2(51) of the Companies Act, 2013.

iii. "Relative" will mean "relative" as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.

2. Limit on number of directorships

- a. A person will not serve as an independent director in more than seven listed companies.
- b. Further, any person who is serving as a whole time director in any listed company will serve as an independent director in not more than three listed companies.

3. Maximum tenure of Independent Directors

- a. The maximum tenure of Independent Directors will be in accordance with the Companies Act, 2013 and clarifications/ circulars issued by the Ministry of Corporate Affairs, in this regard, from time to time.

4. Formal letter of appointment to Independent Directors

- a. The company will issue a formal letter of appointment to independent directors in the manner as provided in the Companies Act, 2013.
- b. The terms and conditions of the appointment will be disclosed on the website of the Company.

5. Performance evaluation of Independent Directors

- a. The Nomination Committee will lay down the evaluation criteria for performance evaluation of independent directors.
- b. The company will disclose the criteria for performance evaluation, as laid down by the Nomination Committee, in its Annual Report.
- c. The performance evaluation of independent directors will be done by the entire Board of Directors (excluding the director being evaluated).
- d. On the basis of the report of performance evaluation, it will be determined whether to extend or continue the term of appointment of the independent director.

6. Separate meetings of the Independent Directors

- a. The independent directors of the company will hold at least one meeting in a year, without the attendance of non-independent directors and members of management. All the independent directors of the company will strive to be present at such meeting.
- b. The independent directors in the meeting will, *inter-alia*:
 - i. review the performance of non-independent directors and the Board as a whole;
 - ii. review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - iii. assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

7. Familiarisation programme for Independent Directors

- a. The company will familiarise the independent directors with the company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc., through various programmes.
- b. The details of such familiarisation programmes will be disclosed on the company's website and a web link thereto will also be given in the Annual Report.

C. Non-executive Directors' compensation and disclosures

All fees / compensation, if any paid to non-executive directors, including independent directors, will be fixed by the Board of Directors and will require previous approval of shareholders in general meeting. The shareholders' resolution will specify the limits for the maximum number of stock options that can be granted to non-executive directors, in any financial year and in aggregate.

Provided that the requirement of obtaining prior approval of shareholders in general meeting will not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Companies Act, 2013 for payment of sitting fees without approval of the Central Government.

Provided further that independent directors will not be entitled to any stock option.

D. Other provisions as to Board and Committees

1. The Board will meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings. The minimum information to be made available to the Board is given in **Annexure - X to the Listing Agreement**.

2. A director will not be a member in more than ten committees or act as Chairman of more than five committees across all companies in which he is a director. Furthermore, every director will inform the company about the committee positions he occupies in other companies and notify changes as and when they take place.

Explanation:

i. For the purpose of considering the limit of the committees on which a director can serve, all public limited companies, whether listed or not, will be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 will be excluded.

ii. For the purpose of reckoning the limit under this sub-clause, Chairmanship / membership of the Audit Committee and the Stakeholders' Relationship Committee alone will be considered.

3. The Board will periodically review compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.

4. An independent director who resigns or is removed from the Board of the Company will be replaced by a new independent director at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

5. Provided that where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director will not apply.

6. The Board of the company will satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management.

E. Code of Conduct

1. The Board will lay down a code of conduct for all Board members and senior management of the company. The code of conduct will be posted on the website of the company.

2. All Board members and senior management personnel will affirm compliance with the code on an annual basis. The Annual Report of the company will contain a declaration to this effect signed by the CEO.

3. The Code of Conduct will suitably incorporate the duties of Independent Directors as laid down in the Companies Act, 2013.

4. An independent director will be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently with respect of the provisions contained in the Listing Agreement.

Explanation: For this purpose, the term “senior management” will mean personnel of the company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management one level below the executive directors, including all functional heads.

F. Whistle Blower Policy

1. The company will establish a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company’s code of conduct or ethics policy.

2. This mechanism will also provide for adequate safeguards against victimization of director(s) / employee(s) who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases.

3. The details of establishment of such mechanism will be disclosed by the company on its website and in the Board’s report.

III. Audit Committee

A. Qualified and Independent Audit Committee

A qualified and independent audit committee will be set up, giving the terms of reference subject to the following:

1. The audit committee will have minimum three directors as members. Two-thirds of the members of audit committee will be independent directors.

2. All members of audit committee will be financially literate and at least one member will 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 or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or

background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

3. The Chairman of the Audit Committee will be an independent director;
4. The Chairman of the Audit Committee will be present at Annual General Meeting to answer shareholder queries;
5. The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee;
6. The Company Secretary will act as the secretary to the committee.

B. Meeting of Audit Committee

The Audit Committee will meet at least four times in a year and not more than four months will elapse between two meetings. The quorum will be either two members or one third of the members of the audit committee whichever is greater, but there will be a minimum of two independent members present.

C. Powers of Audit Committee

The Audit Committee will have powers, which will include the 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 considers necessary.

D. Role of Audit Committee

The role of the Audit Committee will include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;

12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term "related party transactions" will have the same meaning as provided in Clause 49(VII) of the Listing Agreement.

E. Review of information by Audit Committee

The Audit Committee will mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and

5. The appointment, removal and terms of remuneration of the Chief internal auditor will be subject to review by the Audit Committee.

IV. Nomination and Remuneration Committee

A. The company through its Board of Directors will constitute the nomination and remuneration committee which will comprise at least three directors, all of whom will be non-executive directors and at least half will be independent. Chairman of the committee will be an independent director.

Provided that the chairperson of the company (whether executive or nonexecutive) may be appointed as a member of the Nomination and Remuneration Committee but will not chair such Committee.

B. The role of the committee will, *inter-alia*, include the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of Independent Directors and the Board;
3. Devising a policy on Board diversity;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company will disclose the remuneration policy and the evaluation criteria in its Annual Report.

C. The Chairman of the nomination and remuneration committee could be present at the Annual General Meeting, to answer the shareholders' queries. However, it would be up to the Chairman to decide who will answer the queries.

V. Subsidiary Companies

A. At least one independent director on the Board of Directors of the holding company will be a director on the Board of Directors of a material non-listed Indian subsidiary company.

B. The Audit Committee of the listed holding company will also review the financial statements, in particular, the investments made by the unlisted subsidiary company.

C. The minutes of the Board meetings of the unlisted subsidiary company will be placed at the Board meeting of the listed holding company. The management will periodically bring to the

attention of the Board of Directors of the listed holding company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

D. The company will formulate a policy for determining 'material' subsidiaries and such policy will be disclosed on the company's website and a web link thereto will be provided in the Annual Report.

E. For the purpose of this clause, a subsidiary will be considered as material if the investment of the company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

F. The company will not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal

(G). Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year will require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal."

Explanation (i): For the purpose of sub-clause (V)(A), the term "material non listed Indian subsidiary" will mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Explanation (ii): For the purpose of sub-clause (V)(C), the term "significant transaction or arrangement" will mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the material unlisted subsidiary for the immediately preceding accounting year.

Explanation (iii): For the purpose of sub-clause (V), where a listed holding company has a listed subsidiary which is itself a holding company, the above provisions will apply to the listed subsidiary insofar as its subsidiaries are concerned

VI. Risk Management

A. The company will lay down procedures to inform Board members about the risk assessment and minimization procedures.

B. The Board will be responsible for framing, implementing and monitoring the risk management plan for the company.

C. The company through its Board of Directors will constitute a Risk Management Committee. The Board will define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit. This provision is applicable to the top 100 companies by market capitalisation as at the end of 31 March 2014.

(D) The majority of Committee will consist of members of the Board of Directors.

(E) Senior executives of the company may be members of the said Committee but the Chairman of the Committee will be a member of the Board of Directors."

VII. Related Party Transactions

A. A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation: A "transaction" with a related party will be construed to include single transaction or a group of transactions in a contract.

B. For the purpose of Clause 49 (VII), an entity will be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

C. The company will formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

Provided that a transaction with a related party will be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

(D) All Related Party Transactions will require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

a. The Audit Committee will lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval will be applicable in respect of transactions which are repetitive in nature.

b. The Audit Committee will satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

c. Such omnibus approval will specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

d. Audit Committee will review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

e. Such omnibus approvals will be valid for a period not exceeding one year and will require fresh approvals after the expiry of one year.

E. All material Related Party Transactions will require approval of the shareholders through special resolution and the related parties will abstain from voting on such resolutions.

Provided that sub-clause 49 (VII)(D) and (E) will not be applicable in the following cases:

(i) transactions entered into between two government companies;

(ii) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation(i):For the purpose of Clause 49(VII), "Government company" will have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

Explanation(ii):For the purpose of Clause 49(VII), all entities falling under the definition of related parties will abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

VIII. Disclosures

A. Related Party Transactions

1. Details of all material transactions with related parties will be disclosed quarterly along with the compliance report on corporate governance.

2. The company will disclose the policy on dealing with Related Party Transactions on its website and a web link thereto will be provided in the Annual Report.

B. Disclosure of Accounting Treatment

Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact will be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction in the Corporate Governance Report.

C. Remuneration of Directors

1. All pecuniary relationship or transactions of the non-executive directors vis-à-vis the company will be disclosed in the Annual Report.
2. In addition to the disclosures required under the Companies Act, 2013, the following disclosures on the remuneration of directors will be made in the section on the corporate governance of the Annual Report:
 - a. All elements of remuneration package of individual directors summarized under major groups, such as 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 as well as the period over which accrued and over which exercisable.
3. The company will publish its criteria of making payments to 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.
4. The company will disclose the number of shares and convertible instruments held by non-executive directors in the annual report.
5. Non-executive directors will be required to disclose their shareholding (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 will be disclosed in the notice to the general meeting called for appointment of such director

D. Management

1. As part of the directors' report or as an addition thereto, a Management Discussion and Analysis report will form part of the Annual Report to the shareholders. This Management Discussion & Analysis will 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 front, including number of people employed.

2. Senior management will 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 interest of the company at large (for e.g. dealing in company shares, commercial dealings with bodies, which have shareholding of management and their relatives etc.)

Explanation: For this purpose, the term "senior management" will mean personnel of the company who are members of its core management team excluding the Board of Directors). This would also include all members of management one level below the executive directors including all functional heads.

3. The Code of Conduct for the Board of Directors and the senior management will be disclosed on the website of the company.

E. Shareholders

1. 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;
- c. Names of companies in which the person also holds the directorship and the membership of Committees of the Board; and
- d. Shareholding of non-executive directors as stated in Clause 49 (IV) (E) (v) above

2. Disclosure of relationships between directors inter-se will be made in the Annual Report, notice of appointment of a director, prospectus and letter of offer for issuances and any related filings made to the stock exchanges where the company is listed.

3. Quarterly results and presentations made by the company to analysts will be put on company's web-site, or will be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its own web-site.

4. A committee under the Chairmanship of a non-executive director and such other members as may be decided by the Board of the company will be formed to specifically look into the redressal of grievances of shareholders, debenture holders and other security holders. This Committee will be designated as 'Stakeholders Relationship Committee' and will consider and resolve the grievances of the security holders of the company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends.

5. To expedite the process of share transfers, the Board of the company will delegate the power of share transfer to an officer or a committee or to the registrar and share transfer agents. The delegated authority will attend to share transfer formalities at least once in a fortnight.

H. Proceeds from public issues, rights issue, preferential issues, etc.

When money is raised through an issue (public issues, rights issues, preferential issues etc.), the company will disclose the uses / applications of funds by major category (capital expenditure, sales and marketing, working capital, etc), on a quarterly basis as a part of their quarterly declaration of financial results to the Audit Committee. Further, on an annual basis, the company will prepare a statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and place it before the audit committee. Such disclosure will be made only till such time that the full money raised through the issue has been fully spent. This statement will be certified by the statutory auditors of the company. Furthermore, where the company has appointed a monitoring agency to monitor the utilisation of proceeds of a public or rights issue, it will place before the Audit Committee the monitoring report of such agency, upon receipt, without any delay. The audit committee will make appropriate recommendations to the Board to take up steps in this matter.

IX. CEO/CFO certification

The CEO or the Managing Director or manager or in their absence, a Whole Time Director appointed in terms of Companies Act, 2013 and the CFO will certify to the Board that:

A. They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :

1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

C. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

D. They have indicated to the auditors and the Audit committee:

1. significant changes in internal control over financial reporting during the year;
2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
3. instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

X. Report on Corporate Governance

A. There will be a separate section on Corporate Governance in the Annual Reports of company, with a detailed compliance report on Corporate Governance. Non-compliance of any mandatory requirement of this clause with reasons thereof and the extent to which the non-mandatory requirements have been adopted will be specifically highlighted. The suggested list of items to be included in this report is given in Annexure - XII to the Listing Agreement and list of non-mandatory requirements is given in Annexure - XIII to the Listing Agreement.

B. The companies will submit a quarterly compliance report to the stock exchanges within 15 days from the close of quarter as per the format given in Annexure - XI to the Listing Agreement. The report will be signed either by the Compliance Officer or the Chief Executive Officer of the company.

XI. Compliance

A. The company will obtain a certificate from either the auditors or practicing company secretaries 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 will also be sent to the Stock Exchanges along with the annual report filed by the company.

B. The non-mandatory requirements given in Annexure - XIII to the Listing Agreement may be implemented as per the discretion of the company. However, the disclosures of the compliance with mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory requirements will be made in the section on corporate governance of the Annual Report.

Annexure - X to the Listing Agreement

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 its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the board.
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 nonpayment for goods sold by the company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement 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 or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.