

Draft Letter of Appointment of Independent Director

Date:

To,

Dear Sir,

Sub: Appointment as Independent Director

We are pleased to confirm that upon the recommendation of its Nomination and Remuneration Committee, the Board has approved your appointment as an Independent Director on the Board of the Company with effect subject to the approval of the members in the ensuing Annual General Meeting.

This letter sets out the terms of your appointment as an Independent Director. The terms of your appointment, as set out in this letter, are subject to the extant provisions of the applicable laws, including Companies Act, 2013 (herein after referred as "the Act ") and Clause 49 of the Listing Agreement (as amended from time to time).

1. Terms of Appointment

Your appointment will be for a term of consecutive ___ years up to _____ unless terminated earlier or extended, as per the provisions of this letter or applicable laws ("Term"). As an Independent Director you will not be liable to retire by rotation.

2. Board Committees

As per the Board's current assessment, you will be the Chairman/member of the following Board Committees:

- 1.
- 2.
- 3.

The Board may reconstitute the composition of any/all Committees, from time to time, and any such change shall be promptly communicated to you. In such an event you may also be required to serve on other Committees of the Board. The roles and functions of Committees are provided at **Annexure "A"**.

3. Role, duties and responsibilities

A. As member of the Board you along with the other Directors will be collectively responsible for meeting the objectives of the Board which include:

-Requirements under the Act, responsibilities of the Board as outlined in the Corporate Governance requirements as prescribed by Stock Exchanges under Clause 49 of the Listing Agreement.

-Accountability under the Directors' Responsibility Statement,

-Overseeing the maintenance of high standards and ethical conduct of business.

B. You shall abide by the 'Code for Independent Directors' as outlined in Schedule IV to Section 149(8) of the Act, and duties of directors as provided in the Act and in Clause 49 of the Listing Agreement. For your ready reference, the relevant provisions have been extracted and attached to this letter as **Annexure "B"**.

4. Remuneration

As an Independent Director you shall be paid sitting fees for attending the meetings of the Board and the Committees of which you are a member as fixed by the Board from time to time. Further, the Company will pay or reimburse to you such fair and reasonable expenditure, as may have been incurred by you while performing your role as an Independent Director of the Company.

5. Dealing in shares and Combined Code of Corporate Governance and Conduct

Directors are prohibited from dealing in the Company's shares during the period when the trading window is closed. Further, directors, being designated officers of the Company for the purpose of insider trading guidelines. You are required to comply with the applicable insider trading laws and regulations. You are also required to comply with the **Combined Code of Corporate Governance and Conduct** enclosed with this letter of appointment as **Annexure "C"**.

6. Disclosures of Changes

During your term, you agree to promptly provide a declaration under Section 149(7) of the Act, every year and upon any change in circumstances within 20 days which may affect your status as an Independent Director.

During the term, you shall promptly intimate the Company Secretary and the Registrar of Companies in the prescribed manner, of any change in address or other contact and personal details provided to the Company.

7. Termination

Your directorship on the Board of the Company shall terminate or cease in accordance with law.

Apart from the grounds of termination as specified in the Act, you may resign from the directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation and also to Registrar of Companies (ROC). The resignation shall take effect from the date on which the notice is received by the Company or the date, if any, specified by you in the notice, whichever is later.

8. Acceptance of Appointment

We are confident that the Board and the Company will benefit immensely from your rich experience and we are eager to have you as an integral part of the growth of our Company.

Please confirm your acceptance by signing and returning the enclosed copy of this letter.

We thank you for your continued support and commitment to the Company.

Yours Sincerely,

For IOL Chemicals and Pharmaceuticals Limited

AGREE AND ACCEPT

I have read and understood the terms of my appointment as an Independent Director of the Company and I hereby affirm my acceptance to the same.

Name: _____

Signature _____

Place: _____

Date: _____

A. Audit and Risk Management Committee

The powers and role of the Committee as per Clause 49 of Listing Agreement will be as under:

a. Powers of Audit Committee

The Audit Committee shall have powers, which should 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.

b. Role of 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 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:
 - 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
 - Changes, if any, in accounting policies and practices and reasons for the same
 - Major accounting entries involving estimates based on the exercise of judgment by management
 - Significant adjustments made in the financial statements arising out of audit findings
 - Compliance with listing and other legal requirements relating to financial statements
 - Disclosure of any related party transactions

- 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 utilization 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" shall have the same meaning as provided in Clause 49(VII) of the Listing Agreement.

21. The Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

B. Nomination and Remuneration Committee

The role of the Committee as per Clause 49 of the Listing Agreement shall, 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 shall disclose the remuneration policy and the evaluation criteria in its Annual Report.

C. Stakeholders Relationship Committee

This Committee look into the redressal of grievances of shareholders, debenture holders and other security holders and shall 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.

D. Banking and Finance Committee

The role of the Committee is to open and close the bank accounts and modify the bank operation powers, borrow monies from the banks, financial institutions and other entity or persons for purpose of the business of the company provided that aggregate amount outstanding at one time not to exceed Rupees five hundred crore and approve and authorize for the execution of documentation with the banks, financial institutions and other persons for availing the loans and credit facilities from them and authorized to do other acts, deeds, matters and things facilitating the banking and finance functions of the Company."

Allotment Committee

The role of the Committee is to consider and allot the shares, warrants, debentures and any other securities to the proposed allottees in one or more tranches from time to time."

Code for Independent Director as per Schedule IV of the Companies Act, 2013 will be as under:

A. Guidelines of professional conduct:

An independent director shall:

1. Uphold ethical standards of integrity and probity;
2. Act objectively and constructively while exercising his duties;
3. Exercise his responsibilities in a bona fide manner in the interest of the company;
4. Devote sufficient time and attention to his professional obligations for informed and balanced decision making;
5. Not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
6. Not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
7. Refrain from any action that would lead to loss of his independence;
8. Where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
9. Assist the company in implementing the best corporate governance practices.

B. Role and functions:

The independent directors shall:

1. Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
2. Bring an objective view in the evaluation of the performance of board and management;
3. Scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
4. Satisfy themselves on the integrity of financial information and that financial control and the systems of risk management are robust and defensible;
5. Safeguard the interests of all stakeholders, particularly the minority shareholders;

6. Balance the conflicting interest of the stakeholders;
7. Determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
8. Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

C. Duties :

The independent directors shall—

1. Undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
2. Seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
3. Strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
4. Participate constructively and actively in the committees of the Board in which they are chairpersons or members;
5. Strive to attend the general meetings of the company;
6. Where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
7. Keep themselves well informed about the company and the external environment in which it operates;
8. Not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
9. Pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
10. Ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially

affected on account of such use;

11. Report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
12. Acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
13. Not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

Duties of directors as provided under Section 166 of the Companies Act, 1956

1. Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
2. A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, and the community and for the protection of environment.
3. A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
4. A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
5. A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
6. A director of a company shall not assign his office and any assignment so made shall be void.
7. If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

Responsibilities of the Board as per Clause 49 of the Listing Agreement

1. Disclosure of Information

- a. Members of the Board and key executives should 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 should 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 should 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 should provide the strategic guidance to the company, ensure effective monitoring of the management and should be accountable to the company and the shareholders.
- b. The Board should set a corporate culture and the values by which executives throughout a group will behave.
- c. Board members should 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 should 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 should treat all shareholders fairly.
- f. The Board should apply high ethical standards. It should take into account the interests of stakeholders.
- g. The Board should be able to exercise objective independent judgement on corporate affairs.
- h. Boards should 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 should ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the company to excessive risk.
- j. The Board should 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 should be well defined and disclosed by the board.
- l. Board members should be able to commit themselves effectively to their responsibilities.
- m. In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information.
- n. The Board and senior management should facilitate the Independent Directors to perform their role effectively as a Board member and also a member of a committee.



Combined Code of Corporate Governance and Conduct

1. INTRODUCTION

- 1.1 The Company proposes to be in sync with international standards of Corporate Governance in line with the needs of the dynamic market. It has always been the endeavor of the Company to exceed and excel through better Corporate Governance, fair and transparent practices, many of which have been in place even before they were mandated by the law and the regulatory bodies such as SEBI.
- 1.2 Today, the term 'Corporate Governance' besides being a buzzword of the decade has almost become an accepted, known phenomenon. Most of the countries especially the developed one have come out with various statutes and regulations providing a definition and a framework for the Corporate Governance especially after the collapse of some of the big industrial empires in the developed parts of the world. However, it's still difficult to provide a uniform definition that would encompass all the facets that the term represents and in absence of the same, most of the companies end up complying the statutory requirements rather than practicing the Corporate Governance in its true spirit for the improved performance and risk management.
- 1.3 Accordingly, it is endeavored here to evolve a 'Governance Code' based on the principles of Good Corporate Governance and best management practices being followed globally besides complying the needs of law of land.
- 1.4 The Combined Code of the Company is based on the following fundamental principles:
 - a. Lay solid foundations for management.
 - b. Structure the Board to add value.
 - c. Promote ethical and responsible decision-making.
 - d. Safeguard integrity in financial reporting.
 - e. Make timely and balanced disclosures.
 - f. Recognize and manage business risks.
 - g. Respect the rights of the shareholders.
 - h. Encourage enhanced performance.
 - i. Remunerate fairly and responsibly.
 - j. Recognize the legitimate interest of the stakeholders.
 - k. Legal and Statutory compliances in letter and spirit.
- 1.5 Based on the principles as enumerated above, the examination & the in-depth study of some of the best management practices being followed globally and of course the laws & regulations of the country, the Company proposes a 'Combined Code of Corporate Governance and Conduct' which encompasses both structure and the processes.

2. INTERPRETATION

- 2.1 **'Board'** shall mean the Board of Directors of the Company.
- 2.2 **'Chief Executive Officer'** shall mean an individual appointed by virtue of an agreement with the company, which has been approved by way of a resolution, passed by the Company in general meeting, has the management of the whole, or substantially the whole, of the affairs of the company.
- 2.3 **'Chief Operating Officer'** shall mean an employee who has been entrusted responsibility of managing any one or more of Units of the Company.
- 2.4 **'Chief Financial Officer'** shall mean any person responsible for managing all funds, reviewing the financial statements, establishing and maintaining internal controls and who shall be either a member of the Institute of Chartered accountants of India or Institute of Cost and Works Accountants of India.
- 2.5 **'Chief Compliance Officer'** shall mean any person responsible for all statutory and legal compliances of the Company besides providing services to the shareholders and who shall be the Company Secretary of the Company and a member of the Institute of Company Secretaries of India.
- 2.6 **'the Company'** shall mean IOL Chemicals and Pharmaceuticals Limited.
- 2.7 **'Executive Director'** shall mean and include Company's Managing Director, Functional Directors, and such other Directors are in full time employment of the Company.
- 2.8 **'Independent Director'** shall mean non-executive director of the company who:
- 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;
 - is not related to promoters, Chairman, Managing Director, Whole time Director, Secretary, CEO or CFO and of any person in the management at one level below the board;
 - has not been an executive of the company in the immediately preceding three financial years;
 - 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.
 - is not a supplier, service provider or customer of the company. This should include lessor-lessee type relationships also; and
 - is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares.
- 2.9 **'Non-Executive Director'** shall mean and include those members on Board who are not in whole time employment of the Company.
- 2.10 **'Senior Management'** shall mean personnel of the company who are members of management/operating council (i.e. core management team excluding Board of Directors). Normally, this would comprise all members of management one level below the executive directors and shall include Chief Executive Officer, Chief Financial officer, Chief Operating Officer and Chief Compliance Officer.

- 2.11 **‘Managing Director’** means a director who, by virtue of an agreement with the company, which has been approved by way of a resolution, passed by the Company in general meeting is entrusted with substantial powers of management, which would not otherwise be exercised by him.
- 2.12 **‘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.
- 2.13 **‘Financial Management Expertise’** shall mean 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.
- 2.14 **‘Directors’** means the Directors for the time being of the Company.
- 2.15 **‘the Code’** means this Combined Code of Corporate Governance and Conduct.

3. APPLICABILITY

This Code shall be applicable to the Company and the following persons (hereinafter referred to as ‘the Officers’):

- a. **All the Directors** including the Managing Director, Executive Directors, Non Executive Directors, Independent Directors and Nominee Directors of the Company and its subsidiaries;
- b. The Chief Executive Officer;
- c. The Chief Operating Officer;
- d. The Chief Financial Officer;
- e. The Chief Compliance Officer;
- f. **All Employees in the management cadre, all professionals** serving in the Company and all the **members of various Committees** constituted by the Board including special invitees, if any.

4. STRUCTURE OF THE BOARD

4.1 The role of the Board

- The Board is collectively responsible for prompting the success of the Company by directing and supervising the company’s affairs.
- The Board’s role is **to provide entrepreneurial leadership** within a framework of prudent and effective controls, which enable risk to be assessed and managed.
- The Board should **set the company’s strategic aims**, ensure that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance.
- The Board should set **the Company’s values and standards** and ensure that its obligations to its shareholders and others are understood and met.
- The Board shall be accountable to shareholders and to align the interest of the Company with those of the shareholders as a whole.

4.2 Well defined Directors' role

- All Directors shall **take decisions objectively in the interests of the Company**.
- **Chairman: To play a 'pivotal' role in creating the conditions for overall board and individual non-executive directors' effectiveness** besides arranging the regular evaluation of the individual and collective performance of the Board.
- **Non-Executive Directors:** To constructively challenge and contribute to the development of the strategy of the Company, scrutinize the performance of the management in meeting agreed goals, and ensure the integrity of financial information, the effectiveness of financial controls and systems of risk management. **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 an Independent Director in connection with the affairs of the Company, defense shall not be permitted on the ground that the Independent Director was unaware of this responsibility.
- **Executive Directors:** The role of the Executive Directors shall be as set out by the Companies Act, 1956 and/or specifically assigned by the Board or as set out in the Contract of service.

4.3 Board Size and Composition

- The Board of directors of the company shall have an optimum **combination of executive and non-executive directors with not less than fifty percent of the board** of directors comprising of non-executive directors.
- Where the Chairman of the Board is a **non-executive director, at least one-third of the Board** should comprise of independent directors and in case he is an **executive director, at least half of the Board** should comprise of independent directors.
- Nominee directors appointed by an institution, which has invested in or lent to the company shall be deemed to be independent directors.
- Dominance of Non Executive and independent Directors who are management specialists with core competence to perform the management functions.
- Minimize use of nominee & family Directors.
- Appointment of the Directors shall be made on merit and care shall be taken to ensure that appointees have enough time available to contribute in the Board.
- **Non Executive Directors shall not be relatives of an Executive Director or an independent Directors.** They are not expected to serve in any executive or independent position in any company which is in direct competition with the Company or which deals in same line of business.

4.4 Committees of the Board

The Board shall delegate its powers to the following Committees for efficient and quick decision-making:

□ Strategic Committee

- The Board may from time to time appoint a committee of Directors as a Strategic Committee. *Such Committee appoints some independent persons and technical experts (not being the directors of the Board) as members of the Strategic Committee.*
- Such independent persons would be appointed on a need-based requirement of the Company from time to time.
- The independent persons appointed to the Strategic Committee shall be renowned for their technical expertise, special skills and professional knowledge and would ordinarily be persons of eminence, social standing and integrity.
- Such experts or advisors could render their advise on an independent and collective basis.
- Such independent persons would be compensated for their opinions on technical matters or professional advisory matters.
- Their advise or opinion would be recommendatory in nature, but the Board of Directors would give due consideration for their views as experts, in relation to the matters brought up to the consideration of the Board of Directors.
- The members of the Strategic Committee shall be entitled to attend the meetings of the Board as invitees subject to the covalence of confidentiality and the policy of the Conflicts of Interests as per the Code of Governance.
- The **Chief Executive Officer** may also **submit issues or matters** for the consideration of the Strategic Committee, as would fall within his/her scope of authority and upon receiving their advise may act on the advise, if he considers the same appropriate for implementation
- **One of the Directors of the Board shall be the Chairman of the Strategic Committee.**
- The quorum for Strategic Committee meetings shall be two members, one of whom must be a Director.

□ Screening Committee

- The Board should appoint **a committee of three Directors as a Screening Committee. Such Committee appoints some independent persons and HR experts (not being the directors of the Board) as members of the Screening Committee.**
- Such independent persons would be appointed on a need-based requirement of the Company from time to time.
- The **independent persons** appointed to the Screening Committee shall be renowned for their expertise in **human resource, special skills and professional knowledge** and would ordinarily be persons of eminence, social standing and integrity.
- The Screening Committee shall works with an Independent HR experts **to determine the appropriate characteristics, skills and experience for the Board as a whole as well as its individual members.**
- The Board delegates the screening and selection process involved in **selecting the new directors and senior management personnel** to the Screening Committee. The Screening Committee makes recommendations to the Board and

the Shareholders on the induction of any new director and/or any senior management personnel.

- One of the Directors of the Board shall be the Chairman of the Screening Committee.
- The quorum for Screening Committee meetings shall be two members, one of whom must be a Director.

□ Audit Committee

- The Board shall constitute an Audit Committee, in accordance with the provisions of Section 292 A of the Companies Act, 1956 and the Listing Agreement.
- The Audit Committee of the Company shall comprise of a minimum of three members, all being Non-Executive Directors and majority of them being independent. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- The Chairman of Audit Committee shall attend the Annual General Meeting and all shareholder queries shall be answered by the Chairman at the meeting.
- The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.
- The Audit Committee should invite such of the executives of the Company, 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 when required, a representative of the external auditor shall be present as invitees for the meetings of the Audit Committee.
- The auditors, the internal auditors, if any, and the Chief financial Officer or the Director in charge of finance, as the case may be, shall attend and participate at the meetings of the Audit Committee but shall not have the right to vote.
- The Chairman of the committee shall be an Independent Director and the Company Secretary shall act as the secretary to the committee.
- The quorum shall be either two members or one-third of the members of the Audit Committee; whichever is higher and minimum of two Independent Directors.

□ Remuneration Committee

- The Board shall set up a remuneration committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.
- To avoid conflicts of interest, the remuneration committee, which would determine the remuneration packages of the executive directors should comprise of at least three directors, all of whom should be non-executive directors,
- The Chairman of the remuneration committee should be present at the Annual General Meeting, to answer the shareholder queries. However, it would be up to the Chairman to decide who should answer the queries.

- **The Chairman** of Remuneration Committee shall be **an independent director**.
- **The quorum** for Remuneration Committee meetings shall be **two members** present at the meeting.

□ **Investors’/Shareholders’ Grievance Committee**

- The Board shall set up an Investors’/Shareholders’ Grievance Committee to look into the redressing of shareholders and investors complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividend, review of dematerialization, rematerialization, shareholding pattern, distribution schedules, etc.
- **The Chairman** of the Investors’/Shareholders’ Grievance Committee should be **present at the Annual General Meeting**, to answer the shareholder queries. However, it would be up to the Chairman to decide who should answer the queries.
- **The Chairman** of Investors’/Shareholders’ Grievance Committee shall be **an independent director**.
- The quorum for Investors’/Shareholders’ Grievance Committee meetings shall be two members present at the meeting.

□ **Share Transfer Committee**

- The Board shall set up a Share Transfer Committee to
 - ✓ Provide for the safe custody of the Common Seal of the Company
 - ✓ Approve and register transfer and/or transmission of Equity Shares of the Company
 - ✓ Subdivide, consolidate and/ or replace any share certificate(s) of the Company
 - ✓ Authorize affixation of Common Seal of the Company on share certificates
 - ✓ Issue duplicate share certificates against the originals lost/ misplaced
 - ✓ Do all other acts and deeds as may be necessary or incidental thereto.
- The Chairman of the Share Transfer Committee should be present at the Annual General Meeting, to answer the shareholder queries. However, it would be up to the Chairman to decide who should answer the queries.
- **The Chairman of Share Transfer Committee shall be an independent Director**.
- The quorum for Share Transfer Committee meetings shall be two members present at the meeting.

4.5 Separation of management function from the ownership

- a) **Professionalization of the Board** with the induction of management specialists having core competence
- Fair representation to specific areas such as Marketing, International Business, Finance and Technology, etc.
 - Persons of eminence to be appointed on the Board

b) **Appointment of Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Compliance Officer (CCO)**

- **Appointment of CEO** who will be responsible for the management of the whole, or substantially the whole, of the affairs of the company and will be a permanent invitee in all the Board Meetings.
- **Appointment of CFO** who will be responsible for managing all funds, reviewing the financial statements, and establishing and maintaining internal controls.
- **Appointment of CCO** who will be responsible for all statutory and legal compliances of the Company besides providing services to the shareholders.

5. PROCESSES

5.1 Code of Conduct

The Company and its Officers which inter alia includes the Board of Directors and the management officials especially the senior management shall strictly follow the Code of Conduct as enumerated hereunder:

▫ **National interest**

The Company and its Officers shall be committed in all its actions to **benefit the economic development of the countries** in which it operates. It shall not engage in any activity that would adversely affect such an objective. It shall not undertake any project or activity to the detriment of the nation's interests, or those that will have any adverse impact on the social and cultural life patterns of its citizens. The Company and its Officers shall conduct its business affairs in accordance with the economic, development and foreign policies, objectives and priorities of the nation's government, and shall strive to make a positive contribution to the achievement of such goals at the international, national and regional level, as appropriate.

• **Financial reporting and records**

The Company and its Officers shall prepare and **maintain accounts of the Company's business affairs fairly and accurately** in accordance with the accounting and financial reporting standards which represent the generally accepted guidelines, principles, standards, laws and regulations of the country in which the Company conducts its business affairs.

Internal accounting and audit procedures shall fairly and accurately reflect all of the Company's business transactions and disposition of assets. All required information shall be accessible to Company auditors and other authorized parties and government agencies. There shall be no willful omissions of any Company transactions from the books and records, no advance income recognition, and no hidden bank account and funds.

Any willful material misrepresentation of and/or misinformation on the financial accounts and reports shall be regarded as a violation of this code, apart from inviting appropriate civil or criminal action under the relevant laws.

• **Competition**

The Company and its Officers shall fully **strive for the establishment and support of a competitive, open market economy** in India and abroad and shall cooperate in the efforts to promote the progressive and judicious liberalization of

trade and investment by a country. Specifically, The Company shall not engage in activities, which generate or support the formation of monopolies, dominant market positions, cartels and similar unfair trade practices.

The Company and its Officers shall market the products and services of the Company on its own merits and shall not make unfair and misleading statements about competitors' products and services. Any collection of competitive information shall be made only in the normal course of business and shall be obtained only through legally permitted sources and means.

- **Equal-opportunities employer**

The Company and its Officers shall provide **equal opportunities** to all its employees and all qualified applicants for employment, **without regard to their race, caste, religion, colour, ancestry, marital status, sex, age, nationality, disability and veteran status**. Employees of the Company shall be treated with dignity and in accordance with the Company policy to maintain a work environment free of sexual harassment, whether physical, verbal or psychological.

Employee policies and practices shall be administered in a manner that ensures that in all matters equal opportunity is provided to those eligible and the decisions are merit-based.

- **Gifts and donations**

The Company and its Officers or employees shall **neither receive nor offer or make, directly or indirectly, any illegal payments**, remuneration, gifts, donations or comparable benefits which are intended to or perceived to obtain business or uncompetitive favours for the conduct of its business. However, the Company and its employees may accept and offer nominal gifts, which are customarily given and are of a commemorative nature, for special events provided the same shall be disclosed appropriately to the management.

- **Government agencies**

The Company and its Officers or employees **shall not offer or give any Company funds or property as donation to any government agencies** or their representatives, directly or through intermediaries, in order to obtain any favourable performance of official duties.

- **Political non-alignment**

The Company and its Officers shall be committed to and support a functioning democratic constitution and system with a transparent and fair electoral system in India. The Company and its Officers **shall not support, directly or indirectly, any specific political party or candidate for political office**. The Company shall not offer or give any company funds or property as donations, directly or indirectly, to any specific political party, candidate or campaign.

- **Health, safety and environment**

The Company and its Officers shall **strive to provide a safe and healthy working environment and comply**, in the conduct of the business affairs of the Company, with all regulations regarding the preservation of the environment of the territory it operates in. The Company and its Officers shall be committed to **prevent the wasteful use of natural resources** and minimize any hazardous impact of the development, production, use and disposal of any of its products

and services on the ecological environment.

- **Quality of products and services**

The Company and its Officers shall be committed to supply goods and services of the highest quality standards, backed by efficient after-sales service consistent with the requirements of the customers to ensure their total satisfaction. The quality standards of the Company's goods and services should at least meet the required national standards, and the Company should endeavor to achieve international standards.

- **Corporate citizenship**

The Company shall be committed to be a good corporate citizen, not only in compliance with all relevant laws and regulations, but also by actively assisting in the improvement of the quality of life of the people in the communities in which it operates, with the objective of making them self reliant.

Such social responsibility would comprise, to initiate and support community initiatives in the field of community health and family welfare, water management, vocational training, education and literacy and encourage application of modern scientific and managerial techniques and expertise. This will be reviewed periodically in consonance with national and regional priorities.

The Company would also not treat these activities as optional ones, but would strive to incorporate them as integral part of its business plan. The Company would also encourage volunteering amongst its employees and help them to work in the communities. The Company is encouraged to develop social accounting systems and to carry out social audit of their operations.

- **Cooperation of Group companies**

The Company shall cooperate with other Group companies by sharing physical, human and management resources as long as this does not adversely affect its business interests and shareholder value.

In the procurement of products and services, the Company shall give preference to another Group company as long as it can provide these on competitive terms relative to third parties.

- **Public representation of the Company and the group**

The Company and its Officers honours the information requirements of the public and the stakeholders of the Company. In all its public appearance with respect to disclosing Company and business information to public constituencies such as the media, the financial community, employees and shareholders, the Company or the Group shall be represented only by specifically authorized directors and employees. It will be the sole responsibility of these authorized representatives to disclose information on the Company.

- **Third-party representation**

Parties which have business dealings with the Group but are not members of the Group, such as consultants, agents, sales representatives, distributors, contractors, suppliers, etc. shall not be authorized to represent the Company if their business conduct and ethics are known to be inconsistent with this Code.

- **Use of the Company brand**

The use of the Company name and trademark owned by the Company shall be governed by manuals, codes and agreements to be issued by the Company. **The use of the Company brand is defined in and regulated by the Company Brand Equity & Business Promotion Agreement.**

- **Ethical conduct**

Every Officer of the Company, which shall include its Directors, Executive and Non Executive Directors, Managing Director, CEO, CFO and CCO shall **deal on behalf of the Company with professionalism, honesty and integrity**, as well as high moral and ethical standards. Such conduct shall be fair and transparent and be perceived to be as such by third parties.

- **Legal Compliances**

The Officers **shall comply with all applicable government laws, rules and regulations**. The employees and directors shall acquire appropriate knowledge of the legal requirements relating to their duties sufficient to enable themselves to recognize potential dangers. Violations of applicable governmental laws, rules and regulations may subject them to individual criminal or civil liability, as well as to disciplinary action by the Company. Such individual violations may also subject the company to civil or criminal liability or the loss of business.

- **Group policies**

The Company and its Officers **shall recommend to its board of directors the adoption of policies and guidelines** periodically formulated by the Company.

- **Shareholders**

The Company shall **be committed to enhance shareholder value and comply with all regulations and laws** that govern shareholders' rights. The board of directors of the Company shall duly and fairly inform its shareholders about all relevant aspects of the Company's business, and disclose such information in accordance with the respective regulations and agreements.

Every employee shall be responsible for the implementation of and compliance with this code in his professional environment. Failure to adhere to the code could attract the most severe consequences, including termination of employment or directorship, as the case may be.

- **Honest & Ethical Conduct**

The Officers are expected to act in accordance with the highest standards of personal and professional integrity, honesty and ethical conduct, while working on the Company's premises, at offsite locations where the Company's business is being conducted, at Company sponsored business and social events, or at any other place where they are representing Company.

Honest conduct is conduct that is free from fraud or deception. Ethical conduct is ethical handling of actual or apparent conflicts of interest between personal and professional relationship.

- **Regulatory compliance**

The Company, its Officers and every employee of the Company shall, in his or

her business conduct, **comply with all applicable laws and regulations, both in letter and in spirit**, in all the territories in which he or she operates. If the ethical and professional standards set out in the applicable laws and regulations are below that of the code, then the standards of the code shall prevail.

- **Concurrent employment**

The Officers and employees of the Company **shall not**, without the prior approval of the managing director or CEO of the Company, **accept employment or a position** of responsibility (such as a consultant or a director) **with any other Company**, nor provide ‘freelance’ services to anyone. In the case of a CEO, such prior approval must be obtained from the Board of Directors of the Company.

- **Corporate Opportunities**

The Officers **shall not exploit** for their **own personal gain**, opportunities that are discovered through the use of Company Property, information or position, unless the opportunity is disclosed fully in writing to the Company’s Board of directors and the Board declines to pursue such opportunity.

- **Confidentiality**

The Officers **shall not disclose/reveal** any facts/figures/information/trade secrets or confidential documents in written/verbal form, obtained during the course of business relationship with Company to **any person(s)/authority/organization/statutory body unless required by law and/or with specific written permission of company.**

- **Representation**

The Officers shall not write/appear or represent himself to any third party unless authorized by the Company in writing.

- **Intellectual Property Rights**

All documents, processes, manuals, Literature, Systems etc. or any other intellectual property developed or created by the Officers during the association of the Officers with the company **are sole property** and Intellectual Property Rights of the Company.

- **Conflict of interest**

The Officers and employees of the Company **shall not engage in any business, relationship or activity, which might detrimentally conflict with the interest of his company or the group.** A conflict of interest, actual or potential, may arise where, directly or indirectly:

- a) An employee or an officer of the Company engages in a business, relationship or activity with anyone who is party to a transaction with his or her company;
- b) An employee or an officer is in a position to derive a personal benefit or a benefit to any of his or her relatives by making or influencing decisions relating to any transaction;
- c) An independent judgment of the company’s or group’s best interest cannot be exercised.

The main areas of such actual or potential conflicts of interest would include the following:

- Financial interest of an employee or an officer of the Company or his relatives, including the holding of an investment in the subscribed share capital of any company or a share in any firm which is an actual or potential competitor, supplier, customer, distributor, joint venture or other alliance partner of the Company. (The ownership of up to 1 per cent of the subscribed share capital of a publicly held Company shall not ordinarily constitute a financial interest for this purpose.)
- An employee or an officer of the Company conducting business on behalf of his or her company, or being in a position to influence a decision with regard to his or her company's business with a supplier or customer of which his or her relative is a principal, officer or representative, resulting in a benefit to him/her or his/her relative.
- Award of benefits such as increase in salary or other remuneration, posting, promotion or recruitment of a relative of an employee or an officer of the Company, where such an individual is in a position to influence the decision with regard to such benefits.
- Acceptance of gifts, donations, hospitality and/or entertainment beyond the customary level from existing or potential suppliers, customers or other third parties which have business dealings with the Company.

Notwithstanding that such or other instances of conflict of interest exist due to any historical reasons, adequate and full disclosure by the interested employees should be made to the Company's management. It is also incumbent upon every employee to make a full disclosure of any interest which the employee or the employee's immediate family, which would include parents, spouse and children, may have in a company or firm which is a supplier, customer, distributor of or has other business dealings with his company.

Every employee who is required to make a disclosure as mentioned above shall do so, in writing, to his or her immediate superior, who shall forward the information along with comments to the person designated for this purpose by the MD/CEO, who in turn will place it before the MD/CEO and/or the board of directors/executive committee appointed by the board and, upon a decision being taken in the matter, the employee concerned will be required to take necessary action as advised to resolve/avoid the conflict.

If an employee or an officer fails to make a disclosure as required herein, and the management of its own accord becomes aware of an instance of conflict of interest that ought to have been disclosed by the employee or the officer, the management would take a serious view of the matter and consider suitable disciplinary action against the employee or the officer.

- **Securities transactions and confidential information**

The Officers and employees of the Company and his or her immediate family **shall not derive any benefit** or assist others to derive any benefit from the access to and possession of information about the Company or the group, which is not in the public domain and thus constitutes insider information.

The Officers and employees of the Company **shall not use or proliferate information** which is not available to the investing public and which therefore constitutes **insider information** for making or giving advice on investment decisions on the securities of the respective company on which such insider information has been obtained.

Such insider information might include the following:

- Periodical financial results of the Company;
- acquisition and divestiture of businesses or business units;
- financial information such as profits, earnings and dividends;
- announcement of new product introductions or developments;
- asset revaluations;
- investment decisions/plans;
- restructuring plans;
- major supply and delivery agreements;
- raising finances;
- issue of new securities and buy back of its own shares;
- expansion/new projects;
- disposal of whole or substantial part of the Undertaking; and
- amalgamation, merger or takeover.

- **Protecting Company assets**

The assets of the Company should not be misused but employed for the purpose of conducting the business for which they are duly authorized. These include tangible assets such as equipment and machinery, systems, facilities, materials, resources as well as intangible assets such as proprietary information, relationships with customers and suppliers, etc.

- **Citizenship**

The Officers and employees of the Company shall in his or her private life be free to pursue an active role in civic or political affairs as long as it does not adversely affect the business or interests of the Company or the group and provided that the same have been appropriately disclosed by the employee or the officer and prior written approval of the Managing Director or CEO has been obtained.

If an employee or an officer fails to make a disclosure as required herein, and the management of its own accord becomes aware of an instance of conflict of interest that ought to have been disclosed by the employee or the officer, the management would take a serious view of the matter and consider suitable disciplinary action against the employee or the officer.

- **Integrity of data furnished**

Every officer and employee of the Company shall ensure, at all times, the integrity of data or information furnished by him or her to the Company.

- **Reporting concerns**

Every officer and employee of the Company shall promptly report to the management any actual or possible violation of this code, or an event he or she becomes aware of that could affect the business or reputation of his/her or any other Group company.

5.2 Board Performance Reviews

The performance of the Board will be reviewed half yearly based on Economic Value Addition (EVA) and Balanced Scorecard Approach (BSA).

The performance evaluation of all Directors should be done by the Screening Committee comprising of three Directors and two independent HR experts, but excluding the Director being evaluated; and such Screening Committee evaluation should be the mechanism to determine and recommend to the Board & the shareholders as whether to extend / continue the terms of appointment of Directors.

5.3 Remuneration of Directors

- **Executive Directors**

All compensation paid to Executive Directors, shall be fixed by the Remuneration Committee and shall be approved by shareholders in general meeting.

- **Non-Executive Directors**

All compensation paid to Non-Executive Directors, including Independent Directors, shall be fixed by the Board of Directors and shall be approved by shareholders in 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 and in the 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.

Provided that sitting fees paid to the Non executive directors shall be fixed by Board of Directors.

All Directors shall be required to disclose their stock holding (both own or held by/for other persons on a beneficial basis) in the Company prior to their appointment and as on March 31 every year.

5.4 Board Procedure

- The Board shall hold meetings 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 as under:
 - Annual operating plans and budgets and any updates.
 - Capital budgets and any updates.
 - Quarterly results for the Company and its operating divisions or business segments.
 - Minutes of meetings of audit committee and other committees of the board.
 - 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.
 - Show cause, demand, prosecution notices and penalty notices which are

materially important

- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
 - Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
 - 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.
 - Details of any joint venture or collaboration agreement.
 - Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
 - 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.
 - Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
 - Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
 - Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- A Director shall not be a member of more than ten 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.
 - The Chairman shall ensure that new Directors receive a full, formal and tailored induction on joining the Board. As part of this, the Company should offer to major shareholders the opportunity to meet a new Non-Executive Director.
 - There will be a clear division of responsibilities at the head of the Company between the running of the Board and the Executive responsibility for the running of the Company's business.
 - All Directors especially Non-Executive Directors, shall have access to Independent professional advice at the cost of the Company for any matter relating the affairs of the Company.

5.5 Audit Committee Procedure

Powers of the Audit Committee

The Audit Committee shall have the following 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 it considers necessary.
- The recommendations of the Audit Committee on any matter relating to financial management including the audit report, shall be binding on the Board. If the Board does not accept any recommendations of the Audit committee, it shall record the reasons therefore and communicate such reasons to shareholders.

Role of the Audit Committee

The role of the Audit Committee shall include the following:

- 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;
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices,
 - Major accounting entries based on exercise of judgment by management,
 - Qualifications in draft audit report,
 - Significant adjustments arising out of audit,
 - The going concern assumption,
 - Compliance with accounting standards,
 - Compliance with stock exchange and legal requirements concerning financial statements,
 - Any related party transactions.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
- Reviewing the adequacy of internal audit function, 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;
- Discussion with internal auditors any significant findings and follow up there on;
- 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.

- Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- 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.
- Shall have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and shall also ensure compliance of internal control systems.
- Shall have authority to investigate into any matters as specified in section 292 A of the Companies Act, 1956 and/or Clause 49 of the listing Agreement or any matter referred to it by Board and for this purpose, shall have full access to information contained in records of the Company and external professional advice, if necessary.

The Audit Committee shall put in place procedures to inform Board members about the 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.

Whistle Blower Policy

- 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.
- The Company shall take measures to ensure that this right of access is communicated to all employees through means of internal circulars, etc. The employment and other personnel policies of the Company shall contain provisions protecting "whistle blowers" from unfair termination and other unfair prejudicial employment practices.
- The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

5.6 Postal Ballots

The shareholders who are unable to attend the meetings, would be able to vote by postal ballot for key decisions. Some of the critical matters, which should be decided by postal ballot, are given below:

- Matters relating to alteration in the memorandum of association of the Company like changes in objects, address of registered office etc.;
- Buy Back of own shares by the Company;
- Issue of shares with differential voting rights as to voting or dividend or otherwise;
- Sale of whole or substantially the whole of the undertaking;
- Giving loans or extending guarantees or providing security in excess of limits as prescribed under the Companies Act, 1956;
- Election of Director under proviso to subsection (1) of section 252
- Variation in rights attached to class of securities;

5.7 Disclosures

Subsidiary Companies

- Provisions relating to the composition of the Board of Directors of the Company shall be made applicable to the composition of the Board of Directors of subsidiary companies
- At least one Independent Director on the Board of Directors of the Company shall be a Director on the Board of Directors of the subsidiary company.
- The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the subsidiary company.
- The minutes of the Board meetings of the subsidiary company shall be placed for review at the Board meeting of the Company.
- The Board report of the Company shall state that they have reviewed the affairs of the subsidiary company also.

Disclosures to the Audit Committee

- A statement of **all transactions with related parties including their basis shall be placed before the Audit Committee** for formal approval/ratification. If any transaction is not on an arm's length basis, management shall provide an explanation to the Audit Committee justifying the same.
- When money is raised through an Initial Public Offering the Management shall disclose to the Audit Committee, 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. 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.

Disclosures to the Board

- The Management shall **place a report certified by the compliance officer** of the Company, before the entire Board of Directors every quarter **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. This document shall be formally approved by the Board.
- 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 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.)

Auditor's report

The Management shall provide a clear description in plain English of each material contingent liability and its 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 on accounts, as well as, in the auditor's report, where necessary.

Management Discussion and Analysis Report

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 the shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the Company's competitive position:

- 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 front, including number of people employed.

Disclosures in the Annual report

The following disclosures on the remuneration of Directors shall be made in the section on the corporate governance of the Annual Report:

- All pecuniary relationship or transactions of the Non-Executive Director's vis-à-vis the Company.
- All elements of remuneration package of all the Directors i.e. salary, benefits, bonuses, stock options, pension etc.
- Details of fixed component and performance linked incentives, along with the performance criteria.
- Service contracts, notice period, severance fees.
- Stock option details, if any - and whether issued at a discount as well as the period over which accrued and over which exercisable.

Disclosure to Shareholders

- In case of the appointment of a new Director or reappointment of a Director the Company shall provide the shareholders with the following information:
 - A brief resume of the Director;
 - Nature of his expertise in specific functional areas; and
 - Names of companies in which the person also holds the Directorship and the membership of Committees of the Board.
- The Company shall provide on its website or send 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, information like quarterly results, and presentation made by companies to analysts.

Report on Corporate Governance

- There shall 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 i.e., which is part of the Listing Agreement with reasons thereof and the extent to which the non-mandatory requirements have been adopted shall be specifically highlighted by the

Company. The list of items to be included in this report is given below:

- A brief statement on Company’s philosophy on code of governance.
- **Board of Directors**
 - ◆ Composition and category of Directors for example promoter, Executive, Non- Executive, Independent non- Executive, nominee Director, which institution represented as lender or as equity investor.
 - ◆ Attendance of each Director at the BoD meetings and the last AGM.
 - ◆ Number of other BoDs or Board Committees he/she is a member or Chairperson of.
 - ◆ Number of BoD meetings held, dates on which held.
- **Audit Committee**
 - ◆ Brief description of terms of reference
 - ◆ Composition, name of members and Chairperson
 - ◆ Meetings and attendance during the year
- **Remuneration Committee**
 - ◆ Brief description of terms of reference
 - ◆ Composition, name of members and Chairperson
 - ◆ Attendance during the year
 - ◆ Remuneration policy
 - ◆ Details of remuneration to all the Directors, as per format in main report.
- **Shareholders Committee**
 - ◆ Name of Non-Executive Director heading the committee
 - ◆ Name and designation of compliance officer
 - ◆ Number of shareholders complaints received so far
 - ◆ Number not solved to the satisfaction of shareholders
 - ◆ Number of pending complaints
- **General Body Meetings**
 - ◆ Location and time, where last three AGMs held
 - ◆ Whether any special resolutions were passed in the previous three Annual general Meetings
 - ◆ Whether any special resolution passed last year through postal ballot and details of voting pattern
 - ◆ Person who conducted the postal ballot exercise
 - ◆ Whether any special resolution is proposed to be conducted through postal ballot
 - ◆ Procedure for postal ballot
- **Disclosures**
 - ◆ Disclosures on materially significant related party transactions that may have potential conflict with the interests of Company at large.
 - ◆ Disclosure of accounting treatment, if different, from that prescribed

in Accounting standards with explanation

- ◆ 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.
- ◆ Whistle Blower policy and affirmation that no personnel has been denied access to the audit committee.
- **Means of communication**
 - ◆ **Half-yearly report sent to each household of shareholders**
 - ◆ Quarterly results
 - ◆ Newspapers wherein results normally published
 - ◆ Any web-site, where displayed
 - ◆ Whether it also displays official news releases; and
 - ◆ The presentations made to institutional investors or to the analysts
 - ◆ Whether MD & A is a part of annual report or not
- **General Shareholder information**
 - ◆ AGM date, time and venue
 - ◆ Financial Calendar
 - ◆ Date of Book closure
 - ◆ Dividend Payment Date
 - ◆ Listing on Stock Exchanges
 - ◆ Stock Code
 - ◆ Market Price Data: High, Low during each month in last financial year
 - ◆ Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.
 - ◆ Registrar and Transfer Agents
 - ◆ Share Transfer System
 - ◆ Distribution of shareholding
 - ◆ Dematerialization of shares and liquidity
 - ◆ Outstanding GDRs/ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity
 - ◆ Plant Locations
 - ◆ Address for correspondence

The said 'Combined Code of Corporate Governance and 'Conduct has been adopted by the Board of Directors of the Company in its meeting held on October 21, 2003.