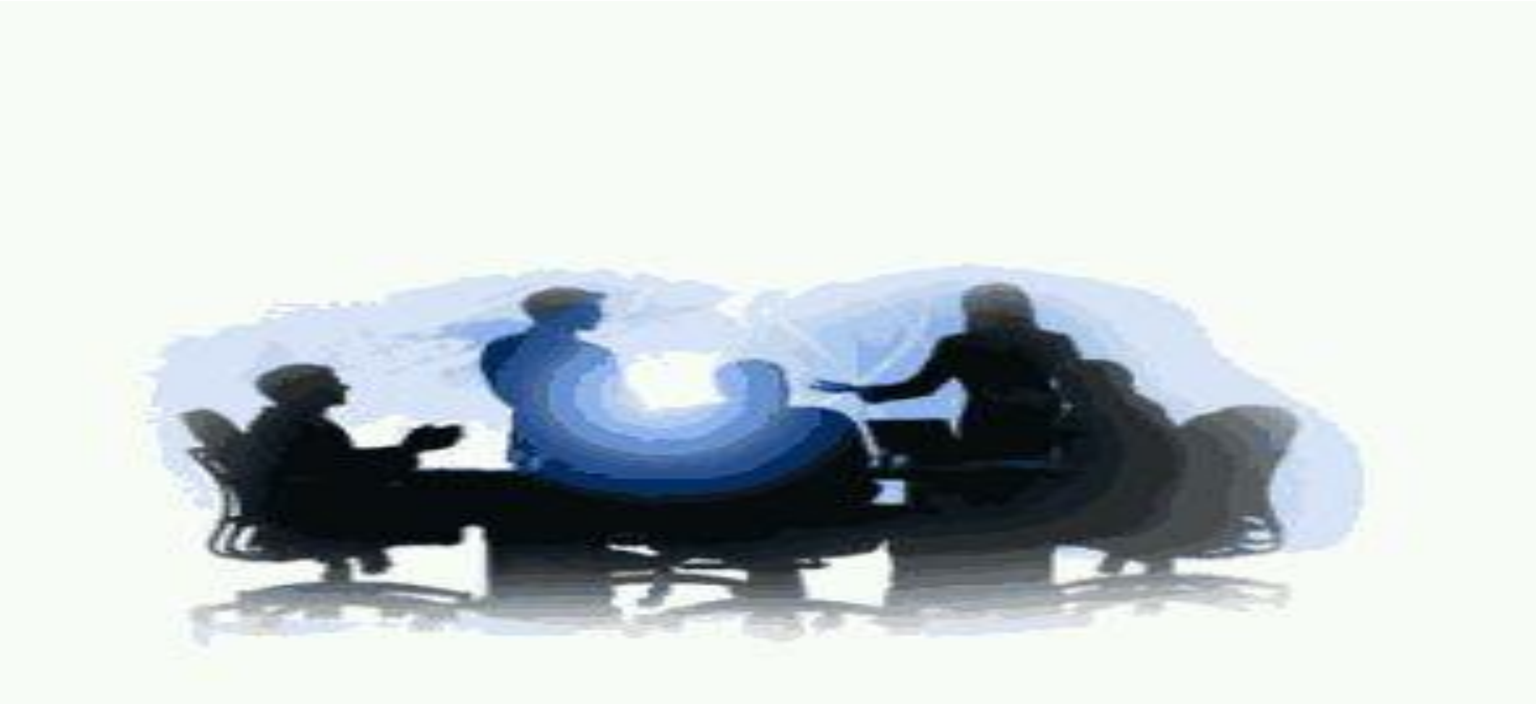
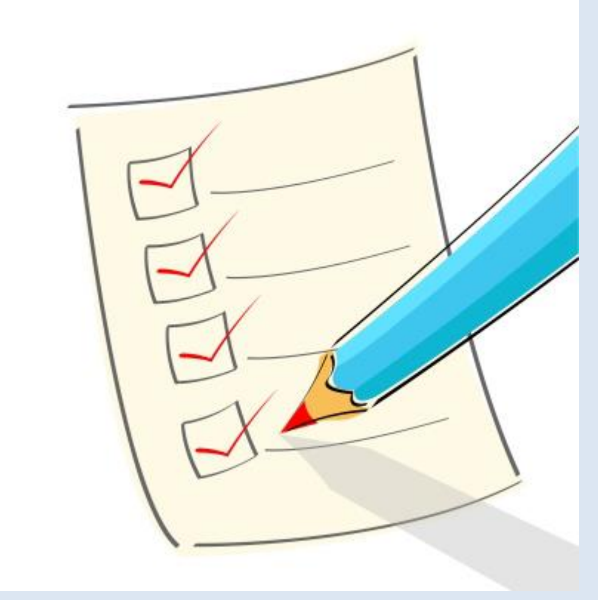


Revised Clause 49
Of
Listing Agreement, SEBI

Contents



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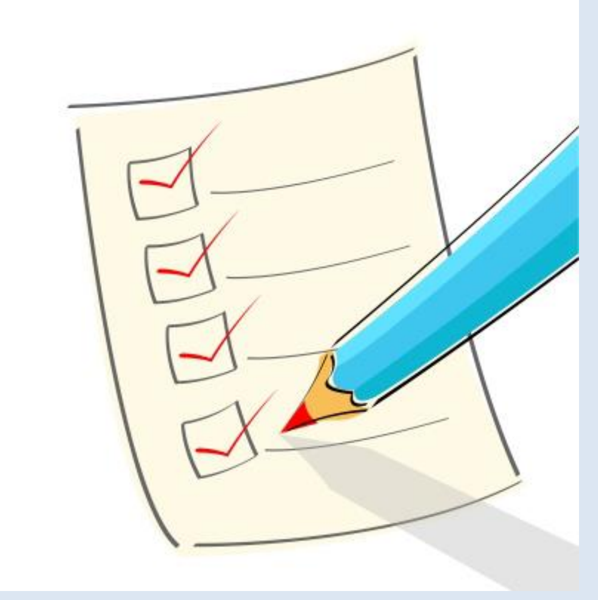

1. Brief about Clause 49

- Was Introduced by SEBI in Listing agreement of the stock exchanges in the year 2000;
- Introduced on the basis of recommendations of corporate governance committee under the chairmanship of Shree Kumar Manglam Birla which was formed by SEBI.
- This clause was introduced in order to specify principles of corporate governance.

2. Applicability of Revised Clause 49

- Applicable on all companies whose equity share are listed on recognised stock exchange;

Clause 49 not mandatorily applicable on companies

- Having paid up equity share capital less than 10 crs and net worth less than 25 crs on last day of previous F.Y.
- Whose equity share capital is listed exclusively on the SME and SME-ITP Platforms

3. Rights to Shareholders

- Clause 49 gives shareholders right to:
  - Participate in and be sufficiently informed on decisions concerning fundamental corporate changes.
  - Vote in general shareholder meetings.
  - Ask questions to the Board and propose resolutions.
  - Participate in nomination and election of Board members.
  - Exercise their ownership rights including institutional investors.
  - Put forward their grievances to the Company.
  - Be protected from abusive actions in the interest of controlling shareholders.

3. Rights to Shareholders (Contd…..)

- Clause 49 suggests following further rights to be given to shareholders:
  - All shareholders of same series of a class should be treated equally.
  - Foreign shareholders should also have voting rights.
  - Devising a framework to avoid Insider trading and abusive self-dealing.
  - Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders.
  - Company procedures should not make it unduly difficult or expensive to cast votes.
  - To obtain effective redress for violation of their rights.
  - Access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in Corporate Governance process.

4. Disclosures and Transparency

- Ensuring timely and accurate disclosure of information to shareholders.
- Preparation and Disclosure of information in accordance with the prescribed standards of accounting, financial and non-financial disclosure.
- Equal, timely and cost efficient access to relevant information by users.
- Maintenance of minutes of the meeting explicitly recording dissenting opinions.
- Implementation of prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders.

5. Board Composition

- At-least half of the Board should be non-executive directors.
- At least one woman director on the Board of the company (to be applicable with effect from April 01, 2015).

Position of Chairman	Min % of Independent directors
Promoter/ related to a promoter	50%
Related to person occupying management position at board or one level below board	50%
Non executive director	33.33%
Non regular non-executive chairman	50%

6. Independent Directors (IDs)

- Nominee Director not included in the definition of Independent Director;
- Should not be less than 21 years of age;
- A person can be appointed as ID of company, only if he is or was not the following in company or its holding, subsidiary or associate company;
  - Promoter;
  - related to promoters or directors
  - has or had no material pecuniary relationship apart from receiving director's remuneration;
  - none of whose relatives has or had pecuniary relationship or transaction;
    - Transaction amounting to 2% or more of its gross turnover or total income or Rs 50,00,000/- or such higher amount as may be prescribed, whichever is lower during the 2 immediately preceding financial years or during the current financial year.

6. Mandatory provisions regarding Independent Directors

- A person not to serve as an Independent Director in more than 7 listed companies.
- A whole-time director of 1 company not to serve as an Independent Director in more than 3 listed companies.
- Maximum tenure of Independent Directors to be in line with Companies Act 2013 and clarifications issued from time to time [5 years (Two terms)]
- Separate meeting of Independent Directors.
- Prohibition of stock options to Independent Directors.
- Familiarisation programme for independent directors.
- Disclosure of the terms and conditions of appointment of independent directors.
- Performance evaluation of Independent Directors and the Board of Directors.

7. Other Board Provisions

- Min 4 board of meetings in a year with max gap of 120 days between two meetings;
- Director cant be member in more than 10 committees and chairman of more than 5 committees across all the Boards of Indian listed companies;
- New IDs in place of old IDs who resigned or are removed, within 3 months or immediate next Board meeting;
- Compliance with ‘Code of Conduct’ on an annual basis;
- Liability of IDs in case of acts of omission or commission;
- Compulsory whistle blower mechanism.

8. Board Committees

- Members : At-least three members, two-thirds of which shall be IDs;
- Chairman : Independent director
- Attendance : Chairman of the Committee to be present in AGM;
- Meeting : Min 4 times in a year and more than 4 months gaps between meetings;
- Quorum : Two or one-third of the members, whichever is greater, but minimum two IDs should be present
- Role : reviewing and monitoring auditor independence, approval of related party transactions, inter corporate loans, valuations, etc.

9. Nomination and remuneration committee

- Members : At-least three members, all non-executive directors and at-least half to be IDs;
- Chairman : Independent director but cannot be the chairman of the company

10. Subsidiaries

- At-least one ID of the company should be a director on the Board of a material non- listed Indian subsidiary;
- Audit committee should review financial statements of and investments made by the unlisted subsidiary;
- Formulation of a policy for determining ‘material’ subsidiaries and such policy to be disclosed on the company's website and a web link thereto shall be provided in the Annual Report;
- No disposal of shares in the material subsidiary, reducing its shareholding below 50%, 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;
- Requirement of Special resolution in case of selling, disposing or leasing of more than 20% of assets of the material subsidiary on an aggregate basis during a financial year unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

11. Related Party Transactions

- Prior approval of audit committee needed; however omnibus approval may be granted based upon fulfilment of certain situations;
- Review of transactions done by company based upon omnibus approval at least on quarterly basis;
- Omnibus approval valid for 1 year an require re-approval after 1 year;
- Disclosure of all material RPTs on a quarterly basis with compliance report on corporate governance.
- Disclosure of policies on dealing with RPTs on its website and web link thereto in Annual Report.
- Approval of all material RPTs by shareholders through special resolution with related parties abstaining from voting.

12. Risk Management

- Formation of Risk management committee through Board;
- Responsibility of board for framing, implementing and monitoring the risk management plan;
- Majority of committee to be consist of members of BOD's under the chairmanship of one of the member of BOD's

13. Stakeholders Relationship committee

- Formulation in order to resolve the grievances of security holders of company

14. Non mandatory requirements

- Appointment of non-executive chairman entitle to maintain chairman’s office at company’s expense;
- Disclosure of half-yearly financial performance including summary of the significant events;
- Moving towards a regime of unqualified financial statements;
- Appointment of separate individuals to the posts of Chairman and MD/CEO;
- Reporting of the internal auditor directly to the audit committee.

15. Scope for company secretaries

- Requirement of obtaining certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance;
- To be annexed with the directors' report, which is sent annually to all the shareholders of the company;
- Also to be sent to the Stock Exchanges along with the annual report filed by the company.


Thank you