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A. INTRODUCTION TO THE DIRECTOR'S COMPANION

MANAPPURAM FINANCE LIMITED has prepared the Director's Companion to help Directors of the Company to be successful in their role as director. Directors are subject to an array of fiduciary requirements, as well as a web of laws, rules, regulations and interpretations. It is critical for directors to know and understand the expectations of regulators, to ensure their institution is run in a safe and sound manner, and that their efforts contribute to the growth and prosperity of their institution and community.

As a director of a Manappuram Finance Limited, you will be responsible for dealing with a broad range of issues that will directly impact the overall success of your Company. You may be well aware of many of these issues, which include: providing strong leadership and corporate governance; hiring competent management; providing clear direction to management; supporting your institution, its management and your community; ensuring safe and sound operations and growth; and having open communication with your regulators.

We thank you for your innovation, dedication and commitment you have made to Manappuram Finance Limited.

–Company Secretary
Ramesh Periasamy

B. PREFACE TO THIRD EDITION

During the period from the publication and distribution of the last Director Companion in the meeting dated March 17, 2017 to this meeting there has been some new legislations and amendment to the existing legislations. With a view to update the Director on the development and to edit the some parts of the last book, this third edition to Directors Companion is being published and distributed.

RBI vide Master Direction DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 has issued Master Direction on Information Technology Framework for the NBFC Sector through which NBFCs Information Technology /Information Security (IT/IS) framework, Business continuity planning (BCP), Disaster Recovery (DR) Management, IT audit, etc. to benchmark with best practices. The following are the key points of Master Direction for the information to Board.

- ^ NBFCs are required to conduct a gap analysis between current status and stipulations as laid out in the Direction;
- ^ To have a time-bound action plan to address the gap and comply with the guidelines and such an analysis may be submitted to the Board within six months of the issuance of these directions;
- ^ The proposed IT framework is on IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning and IT Services Outsourcing;
- ^ NBFCs may place these directions before their Board, together with a gap-analysis vis-a-vis the Master Direction and the proposed action by September 30, 2017;
- ^ NBFCs- Systemically Important (SI) should comply with the Master Directions by June 30, 2018

NBFC – SI is required to form IT - Strategy Committee and IT - Steering Committee and to adopt following Board Approved Policies as per the Master Direction;

- ⑥ IT Policy
- ⑥ Information Security (IS) Policy
- ⑥ Cyber-Security policy

- ⑥ Change Management Policy
- ⑥ IS Audit Framework
- ⑥ Business Continuity Planning (BCP) Policy

- ^ Effective IT Governance is the responsibility of the Board of Directors and Executive Management.
- ^ IT Governance Stakeholders include Board of Directors, IT Strategy Committees, CEOs, Business Executives, Chief Information Officers (CIOs), Chief Technology Officers (CTOs), IT Steering Committee, Chief Risk Officer and Risk Committees.
- ^ IT Strategy Committee's Chairman should be an Independent Director and CIO & CTO shall be part of the Committee and the Committee should meet at least twice in a year.
- ^ NBFC is required to report all types of unusual security incidents as specified in the Direction to RBI DNBS Central Office, Mumbai.
- ^ The Board or Senior Management should consider the risk associated with existing and planned IT operations and the risk tolerance and establish and monitor policies for risk management.
- ^ A Cyber Crisis Management Plan (CCMP) should be a part of the overall Board approved strategy.
- ^ NBFC shall adopt an IS Audit framework duly approved by the Board and shall have adequately skilled personnel in Audit Committee who can understand the results of the IS Audit.
- ^ IS Audit should form an integral part of Internal Audit system of the NBFC. IS Audit may be conducted at least once in a year by an independent internal team of the NBFC or outside agency before the statutory Audit takes place.
- ^ The functioning of Business Continuity Planning (BCP) shall be monitored by the Board by way of periodic reports.
- ^ The Board and senior management are responsible for IT outsourcing operations and managing risks inherent in such outsourcing relationships. The Board of Directors of NBFC is responsible for effective due diligence, oversight and management of outsourcing and accountability for all outsourcing decisions. The Board and IT Strategy committee have the responsibility to institute an effective governance mechanism and risk management process for all IT outsourced operations.

Other Regulatory evolution within last one year are:

1. Companies (Meetings of Board and its Powers) (Amendment) Rules, 2017 – GSR 309(E) dated 30th March 2017
2. Companies (Appointment and Qualification of Directors) (Amendment) Rules, 2017 – GSR 839(E) dated 5th July 2017
3. Companies (Meetings of Board and its Powers) (Second Amendment) Rules, 2017 – GSR 880(E) dated 13th July 2017
4. Secretarial Standard on meetings of the Board of Directors (SS-1)
5. Secretarial Standard on General Meetings (SS-2)
6. The Companies (Amendment) Act, 2017

C. GENERAL INFORMATION AND BRIEF INTRODUCTION OF THE COMPANY

GENERAL INFORMATION TO DIRECTORS

i. Company CIN No.	L65910KL1992 PLC 006623
ii. ROC Reg. No.	006623
iii. RBI Reg. No	B-16.00029
iv. Authorised Capital(in Rs.	Rs. 2,000,000,000.00
v. Paid up capital(in Rs.)	Rs. 16,83,944,064
vi. Regd. Office :	IV 470A(old) W638A(new), Manappuram House Valappad, Thrissur, Kerala- Pin 680 567, Ph.0487-3050100
vii. Contact point.	Company Secretary, Ph. No. 0487 3050408/413/417
viii. E- mail	cs@manappuram.com , cosecretary@manappuram.com

Travel, stay and other arrangements of directors

Company will make arrangements for the travel, stay and other convenience for the directors for attending board or committee meetings and other programs to be attended by the directors. In cases where such expenses are borne by the directors themselves, the company will provide re-imbursments.

Remuneration of directors

In respect of independent directors and non-executive directors who are not nominees of investors, the company will provide sitting fees for attending each meeting of the board and committees at the rate fixed by the board from time to time. Further, based on the recommendation of the Nomination Committee and as approved by the board, an annual profit based commission will also be provided for each financial year or part thereof;

BRIEF INTRODUCTION OF THE COMPANY

The company has three subsidiaries, Manappuram Insurance Brokers Limited, Manappuram Home Finance Ltd., and Asirvad Micro Finance Ltd., While the first is an Insurance Broker Company having been granted Direct Insurance Broker License to Manappuram Insurance Brokers Ltd by Insurance regulatory and Development Authority(IRDA) under license No. 326/05, it is all set to provide any kind of insurance, life and general , at doorsteps, Second is a Housing finance Company registered with National Housing Bank, and the latter is an NBFC MFI. Our Housing Finance subsidiary has completed about three and half years of successful operations, it has an ambitious business plan to grow its house loan portfolio by leveraging the brand equity and the corporate strength of the parent company.

D. LIST OF CURRENT DIRECTORS

A) List of present directors of the company:

Sl. No.	Name	DIN No.	Designation	Appointment Date
1)	Mr. V. P.Nandakumar	00044512	Managing director	15/07/1992
2)	Mr. Jagdish Capoor	00002516	Director	20/07/2010
3)	Mr. Balngat Narayanan Babu Raveendra	00043622	Whole-time director	17/08/2009
4)	Mr. Eknath Atmaram Kshirsagar	00121824	Director	08/06/2012
5)	Mr. V.R. Ramachandran	00046848	Director	13/09/2002
6)	Mr. Shailesh Jayantilal Mehta	01633893	Director	06/11/2008
7)	Mr. Manomohanan Parameshwara Menon	00042836	Director	18/08/2003
8)	Mr. Rajiven Vayalil Ravindran	06503049	Director	06/02/2013
9)	Ms. Amla Ashim Samanta	00758883	Director	17/03/2015
10)	Gautam Narayan	2971674	Director	08-02-2018

E. DIRECTOR

1) DEFINITION OF DIRECTOR:

Section 2(34) of the Companies Act, 2013 (hereinafter referred as “the Act”) define director as follows:

Director – Means a director appointed to the Board of a Company.

Now, as per Section 2(10) of the Act, “Board of Directors” or “Board”, in relation to a company, means the collective body of the directors of the company.

2) APPOINTMENT AND DISQUALIFICATIONS FOR APPOINTMENT OF DIRECTORS:

Section 152 of the Act, deal with appointment of directors. Sub-section 2 states that:- “Save as otherwise expressly provided in this Act, every director shall be appointed by the company in general meeting.”

Prerequisites for appointment of director:

- 1) Every person proposed to be appointed as a director, shall furnish his Director Identification Number and a declaration that he is not disqualified* to become a director under the Act.
- 2) A person appointed as a director shall not act as a director unless he gives his consent to hold the office as director and such consent has been filed with the Registrar within thirty days of his appointment

* **Disqualifications for appointment of director** is detailed under Section 164 of the Act as follows:

(1) A person shall not be eligible for appointment as a director of a company, if —

- a) he is of unsound mind and stands so declared by a competent court;
- b) he is an undischarged insolvent;
- c) he has applied to be adjudicated as an insolvent and his application is pending;
- d) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:
Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;
- e) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;
- f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- g) he has been convicted of the offence dealing with related party transactions under section 188 (*this will be dealt in detail later in this book*) at any time during the last preceding five years; or
- h) he has not complied with sub-section (3) of section 152 (*i.e. No person shall be appointed as a director of a company unless he has been allotted the Director Identification Number*).

(2) No person who is or has been a director of a company which—

- a) has not filed financial statements or annual returns for any continuous period of three financial years; or
 - b) has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.
- (3) A private company may by its articles provide for any disqualifications for appointment as a director in addition to those specified in sub-sections (1) and (2): Provided that the disqualifications referred to in clauses (d), (e) and (g) of sub-section (1) shall not take effect—
- i) for thirty days from the date of conviction or order of disqualification;
 - ii) where an appeal or petition is preferred within thirty days as aforesaid against the conviction resulting in sentence or order, until expiry of seven days from the date on which such appeal or petition is disposed off; or
 - iii) where any further appeal or petition is preferred against order or sentence within seven days, until such further appeal or petition is disposed off.

3) TYPES OF DIRECTORS

1. *Additional Director- Section 161 (1)*

The board of directors can appoint additional directors, if such power is conferred on them by the articles of association. Such additional directors hold office only upto the date of next annual general meeting or the last date on which the annual general meeting should have been held, whichever is earlier. A person who fails to get appointed as a director in a general meeting cannot be appointed as Additional Directors.

2. *Alternate Director- Section 161 (2)*

The Board of Directors of a company may, if so authorised by its articles or by a resolution passed by the company in general meeting, appoint a person, not being a person holding any alternate directorship for any other director in the company or holding directorship in the same company, to act as an alternate director for a director during his absence for a period of not less than three months from India:.

Provided that no person shall be appointed as an alternate director for an independent director unless he is qualified to be appointed as an independent director under the provisions of this Act:

Provided further that an alternate director shall not hold office for a period longer than that permissible to the director in whose place he has been appointed and shall vacate the office if and when the director in whose place he has been appointed returns to India:

Provided also that if the term of office of the original director is determined before he so returns to India, any provision for the automatic re-appointment of retiring directors in default of another appointment shall apply to the original, and not to the alternate director.

3. *Directors by Nomination Section or Nominee Director 161(3)*

Subject to the articles of a company, the Board may appoint any person as a director nominated by any institution in pursuance of the provisions of any law for the time being in force or of any agreement or by the Central Government or the State Government by virtue of its shareholding in a Government company.

4. *Directors in causal vacancy- Section 161 (4)*

If the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may, in default of and subject to any regulations in the articles of the company, be filled by the Board of Directors at a meeting of the Board which shall be subsequently approved by members in the immediate next general meeting:

Provided that any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated.

5. *Independent Directors :-*

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

(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) who 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 nonprofit 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; or

(f) who possesses such other qualifications as may be prescribed.

4) POWER OF DIRECTORS

POWERS OF DIRECTORS

UNDER MONEY LAUNDERING ACT :-

Section 13 of the Prevention of Money Laundering Act, 2002 confers following powers on the Director to ensure compliance.

(1) The Director may, either of his own motion or on an application made by any authority, officer or person, make such inquiry or cause such inquiry to be made, as he thinks fit to be necessary, with regard to the obligations of the reporting entity, under this Chapter.

(2) [(1A) If at any stage of inquiry or any other proceedings before him, the Director having regard to the nature and complexity of the case, is of the opinion that it is necessary to do so, he may direct the concerned reporting entity to get its records, as may be specified, audited by an accountant from amongst a panel of accountants, maintained by the Central Government for this purpose.]

2[(1B) The expenses of, and incidental to, any audit under sub-section (1A) shall be borne by the Central Government.]

(3)[(1) If the Director, in the course of any inquiry, finds that a reporting entity or its designated director on the Board or any of its employees has failed to comply with the obligations under this Chapter, then, without prejudice to any other action that may be taken under any other provisions of this Act, he may—

(a) issue a warning in writing; or

(b) direct such reporting entity or its designated director on the Board or any of its employees, to comply with specific instructions; or

- (c) direct such reporting entity or its designated director on the Board or any of its employees, to send reports at such interval as may be prescribed on the measures it is taking; or
- (d) by an order, impose a monetary penalty on such reporting entity or its designated director on the Board or any of its employees, which shall not be less than ten thousand rupees but may extend to one lakh rupees for each failure.]

(2) The Director shall forward a copy of the order passed under subsection (2) to every banking company, financial institution or intermediary or person who is a party to the proceedings under that sub-section.

[Explanation.—For the purpose of this section, “accountant” shall mean a chartered accountant within the meaning of the Chartered Accountant Act, 1949].

5) DUTIES AND OBLIGATIONS OF DIRECTORS

DUTIES:

Section 166 of the Act defines duties of directors.

As per the said section, a director of a company shall:

1. Act in accordance with the articles of the company.
2. 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, the community and for the protection of environment.
3. Exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
4. 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. 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. Not assign his office and any assignment so made shall be void.

Penalty for contravention:

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 Rs. 1,00,000 but which may extend to Rs. 5,00,000.

OBLIGATIONS:

Regulation 26 Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 defines the obligation of directors. The said regulation is reproduced as follows:

Obligations with respect to directors and senior management.

(1) A director shall not be a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which he is a director which shall be determined as follows:

(a) the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded;

(b) for the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.

(2) Every director shall inform the listed entity about the committee positions he or she occupies in other listed entities and notify changes as and when they take place.

(3) All members of the board of directors and senior management personnel shall affirm compliance with the code of conduct of board of directors and senior management on an annual basis.

(4) Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the listed entity in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director

(5) Senior management shall make disclosures to the board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

Explanation.- For the purpose of this sub-regulation, conflict of interest relates to dealing in the shares of listed entity, commercial dealings with bodies, which have shareholding of management and their relatives etc.

Companies Act,2013 has also put a restriction on the number of directorships a person can hold at a time in companies. The total directorship a person can hold simultaneously is fixed at 20 companies. But he cannot hold directorship of more than 10 public companies.

6) VACATION OF OFFICE, RESIGNATION AND REMOVAL OF DIRECTORS

VACATION OF OFFICE

Section 167 of Companies Act, 2013 states that

The office of a director shall become vacant in case—

- (a) He incurs any of the disqualifications specified in section 164;
- (b) He absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;
- (c) He acts in contravention of the provisions of section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested;
- (d) He fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested
- (e) He becomes disqualified by an order of a court or the Tribunal;
- (f) He is convicted by a court of any offence, whether involving moral turpitude or otherwise and sentenced in respect thereof to imprisonment for not less than 6 months;
{Provided that the office shall be vacated by the director even if he has filed an appeal against the order of such court}
- (g) He is removed in pursuance of the provisions of this Act;
- (h) He, having been appointed a director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that company.

Punishment

If a person, functions as a director even when he knows that the office of director held by him has become vacant on account of any of the disqualifications specified above, he shall be punishable with imprisonment for a term which may extend to 1 year or with fine which shall not be less than Rs. 1,00,000 but which may extend to Rs. 5,00,000 or with both.

Where all the directors of a company vacate their offices under any of the disqualifications specified above the promoter or, in his absence, the Central Government shall appoint the required number of directors who shall hold office till the directors are appointed by the company in the general meeting.

RESIGNATION OF DIRECTOR

Section 168 & Rule 15, 16 of Companies, Act 2013

A director may resign from his office by giving notice in writing. The Board shall, on receipt of such notice within 30 days intimate the Registrar in Form DIR-12 and also place the fact of such resignation in the Directors' Report of subsequent general meeting of the company and post the information on its website. The director shall also forward a copy of resignation alongwith detailed reasons for the resignation to the Registrar in Form DIR-11 within 30 days from the date of resignation. The notice shall become effective from the date on which the notice is received by the company or the date, if any, specified by the director in the notice, whichever is later. Provided that the director who has resigned, shall be liable even after his resignation for the offences which occurred during his tenure.

If all the directors of a company resign from their office or vacate their office, the promoter or in his absence the Central Government shall appoint the required number of directors to hold office till the directors are appointed by the Company in General Meeting.

REMOVAL OF DIRECTORS

Section 169 of Companies Act, 2013

A company may, remove a director except the director appointed by National Company Law Tribunal u/s 242, before the expiry of the period of his office after giving him a reasonable opportunity of being heard after passing the ordinary resolution.

[Provided that nothing contained in this sub-section shall apply where the company has availed itself of the option given to it under section 163 to appoint not less than two thirds of the total number of directors according to the principle of proportional representation.]

A special notice shall be required of any resolution, to remove a director under this section, or to appoint somebody in place of a director so removed, at the meeting at which he is removed. On receipt of notice of a resolution to remove a director under this section, the company shall forthwith send a copy thereof to the director concerned, and the director, whether or not he is a member of the company, shall be entitled to be heard on the resolution at the meeting.

Where notice has been given of a resolution to remove a director under this section and the director concerned makes with respect thereto representation in writing to the company and requests its notification to members of the company, the company shall, if the time permits it to do so,—

- (a) in any notice of the resolution given to members of the company, state the fact of the representation having been made; and
- (b) send a copy of the representation to every member of the company to whom notice of the meeting is sent (whether before or after receipt of the representation by the company), and if a copy of the representation is not sent as aforesaid due to insufficient time or for the company's default, the director may without prejudice to his right to be heard orally require that the representation shall be read out at the meeting.

[Provided that copy of the representation need not be sent out and the representation need not be read out at the meeting if, on the application either of the company or of any other person who claims to be aggrieved, the Tribunal is satisfied that the rights conferred by this sub-section are being abused to secure needless publicity for defamatory matter; and the Tribunal may order the company's costs on the application to be paid in whole or in part by the director notwithstanding that he is not a party to it.]

A vacancy created by the removal of a director under this section may, if he had been appointed by the company in general meeting or by the Board, be filled by the appointment of another director in his place at the meeting at which he is removed, provided special notice of the intended appointment has been given. A director so appointed shall hold

office till the date up to which his predecessor would have held office if he had not been removed. If the vacancy is not filled, it may be filled as a casual vacancy in accordance with the provisions of this Act:

Provided that the director who was removed from office shall not be re-appointed as a director by the Board of Directors.

Nothing in this section shall be taken—

(a) as depriving a person removed under this section of any compensation or damages payable to him in respect of the termination of his appointment as director as per the terms of contract or terms of his appointment as director, or of any other appointment terminating with that as director; or

(b) as derogating from any power to remove a director under other provisions of this Act.

F. INDEPENDENT DIRECTORS

WHO ARE INDEPENDENT DIRECTORS?

The Independent Directors are the persons, who are not in the whole time employment of the Company, but participates in the affairs of the Company and are entitled to attend the Board meetings, General Meetings and share their knowledge in the respective areas of their expertise with the stakeholders. They are entitled to evaluate the performance of non-independent directors on the board of the Company. They are not just legal formalities but they are responsible for better compliance.

LAWS GOVERNING INDEPENDENT DIRECTORS IN INDIA:

1. Companies Act, 2013- For Class of Companies (stated below)
2. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015- For Listed Companies only

UNDER COMPANIES ACT, 2013:

DEFINITION:

As per Section 2(47), “independent director” means an independent director referred to in sub-section (5) of section 149. (It may be an error as Section 149(5) provides something else) When we go to Section 149(6), it provides as follow:

An independent director in relation to a company, means a director who is not a managing director or a whole-time director or a nominee director, —

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

[In case of Government Companies, for the words “Board”, the words “Ministry or Department of the Central Government which is administratively in charge of the Company, or as the case may be, the State Government” shall be substituted.]

(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) who 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;

[In case of Government Companies, section 149(6)(c) shall not apply vide MCA notification No. GSR 463E, dated 05.06.2015]

(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 2 per cent or more of its gross turnover or total income or 50 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; or

(f) who possesses such other qualifications as may be prescribed.

“From above, it is also cleared that the Independent Directors should not have any kind of pecuniary relationship with the Company, nor he relates to any of the promoter or any other Director.”

POSITION OF INDEPENDENT DIRECTORS:

1. MEMBERSHIP IN DIFFERENT COMMITTEES:

Independent Directors have a role at Corporate Social Responsibility Committee. The Committee should have at least one Independent Director out of 3 or more directors. Such provisions help in transparency & credibility.

The Audit Committee, Nomination and Remuneration Committee shall consist of Independent Directors as a Majority.

2. ROTATION NOT APPLICABLE:

The Provisions relating to Rotation of Directors shall not be applicable to Independent Directors.

3. SEPARATE MEETING OF INDEPENDENT DIRECTORS AND BOARD EVALUATION OF INDEPENDENT DIRECTORS:

The Independent Directors shall hold at least 1 meeting in a year without the Non Independent Directors & Members of Management. Performance evaluation of Independent Directors to be done by the entire Board, excluding the director being evaluated.

4. DECLARATION OF INDEPENDENCE:

Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as provided in sub-section (6).

5. ABIDE BY THE CODE:

Every Independent Director shall abide by the provisions specified in Schedule IV of the Companies Act, 2013.

6. CONSENT FOR MEETING AT SHORTER NOTICE:

A meeting of the Board may be called at shorter notice to transact urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting.

In case of absence of independent directors from such a meeting of the Board, decisions taken at such a meeting shall be circulated to all the directors and shall be final only on ratification thereof by at least one independent director, if any.

MANDATORY APPOINTMENT OF INDEPENDENT DIRECTOR:

Section 149(4) requires every listed company to appoint minimum one-third of the total number of directors as independent directors.

For public companies, other than the listed companies, Rule 4 of The Companies (Appointment and Qualification of Directors) Rules, 2014 provides that following class of public companies shall have at least two persons as independent directors: –

- a) Public Companies having paid up share capital of Rs.10 Crores or more
- b) Public Companies having turnover of Rs.100 Crore or more
- c) Public Companies having outstanding loan, debentures and deposits, in aggregate, in excess of Rs.50 Crore.

In view of above, it is pertinent to note that the Private Companies irrespective of their paid up share capital or turnover or borrowings are not required to appoint the Independent Directors. But Companies (say Big private companies and other public companies) may appoint Independent Directors at their will for good corporate governance practices.

QUALIFICATIONS OF INDEPENDENT DIRECTOR:

An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

PROCEDURE FOR APPOINTMENT OF INDEPENDENT DIRECTOR:

The appointment of independent director shall first be considered in the meeting of the Board of Directors subject to the fulfillment of all conditions specified in Schedule IV of the Companies Act, 2013 and subject to the approval of members of the company by way of ordinary resolution in general meeting as per Section 152(2).

PAYMENT OF SITTING FEE/COMMISSION:

According to Section 149(9), the independent director is entitled to receive (a) sitting fee for Board/Committee meetings as may be prescribed under second proviso under Section 197(5)

(b) reimbursement of expenses for attending the board/committee meetings

(c) commission related to profits of the company subject to the provisions of Section 197 and 198 (1 percent of the net profits if there is a Managing Director or Whole-Time Director or Manager and three percent of the net profits in any other case). The net profits shall be computed in accordance with Section 198. The independent director, however, shall not be entitled to receive any "stock option".

RESIGNATION/REMOVAL:

The Independent Director who resigns or is removed shall be replaced by a new Independent director within period of 180 days.

TENURE OF OFFICE:

Independent Director once appointed shall hold office for a term of 5 consecutive years, but shall be eligible for reappointment. The Reappointment shall be on the basis of evaluation of Performance of the director:

- § A term up to 5 consecutive years
- § Eligible for reappointment for another term on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report
- § Not to hold office for more than 2 consecutive terms
- § However, eligible for appointment after the expiration of 3 years cooling period (Not to be associated with the Company in any capacity, either directly or indirectly during these 3 years)
- § Any tenure of an Independent Director on the date of commencement of this Act shall not be counted as a term.

DATA BANK:

Section 150 envisages that an independent director may be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by anybody, institute or association, as may be notified by the Central Government, having expertise in creation and maintenance of such data bank and put on their website for the use by the company making the appointment of such directors.

Provided that responsibility of exercising due diligence before selecting a person from the data bank referred to above, as an independent director shall lie with the company making such appointment.

LIABILITY:

The Companies Act, 2013, balances the wide nature of the obligations, functions and accountabilities imposed on an Independent Director. The Act limits the liability of Independent Directors to the matters which are directly relatable to them. Section 149 (12) limits the liability of an Independent Director and provides that he shall 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.

SPECIAL CODE FOR INDEPENDENT DIRECTORS:

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

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.

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) scrutinise 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 controls 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.

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.

Manner of appointment:

- (1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors, the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.

- (2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
- (4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out:
 - (a) the term of appointment;
 - (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
 - (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
 - (d) provision for Directors and Officers (D and O) insurance, if any;
 - (e) the Code of Business Ethics that the company expects its directors and employees to follow;
 - (f) the list of actions that a director should not do while functioning as such in the company; and
 - (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- (5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
- (6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

Resignation or removal:

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
- (3) 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 shall not apply.

VII. Separate meetings:

- (1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall :
 - (a) review the performance of non-independent directors and the Board as a whole;
 - (b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - (c) 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.

VIII. Evaluation mechanism:

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

UNDER SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015:

RIGHTS OF INDEPENDENT DIRECTOR:

According to Regulation 4(2)(f)(iii)(14), the board of directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors.

DEFINITION OF INDEPENDENT DIRECTOR:

Regulation 16(1)(b) provides that “independent director” means a non-executive director, other than a nominee director of the listed entity:

- (i) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;
- (ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company;
- (iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;
- (iv) who, apart from receiving director’s remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

- (v) none of whose relatives has or had pecuniary relationship or transaction with the listed entity, 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 from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (vi) who, neither himself, nor whose relative(s) —
 - (A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity 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;
 - (B) 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 —
 - (1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or
 - (2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - (C) holds together with his relatives two per cent or more of the total voting power of the listed entity; or
 - (D) 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 or corpus from the listed entity, 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 listed entity;
 - (E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;
- (vii) who is not less than 21 years of age.

COMPOSITION OF BOARD OF DIRECTORS:

Regulation 17(1) envisages that the composition of board of directors of the listed entity shall be as follows:

Board of directors shall 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 shall comprise of non-executive directors;

Chairperson	Composition
Where the chairperson of the board of directors is a non-executive director	At least one-third of the board of directors shall comprise of independent directors

Where the chairperson of the board of directors is not a non-executive director	At least half of the board of directors shall comprise of independent directors
Where the regular non-executive chairperson is a promoter of the listed entity or is <i>related to any promoter</i> or person occupying management positions at the level of board of director or at one level below the board of directors,	At least half of the board of directors of the listed entity shall consist of independent directors.

Explanation- For the purpose of this clause, the expression “related to any promoter” shall have the following meaning:

- (i) if the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;
- (ii) if the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.

DUTIES OF INDEPENDENT DIRECTOR:

Regulation 17(5) provides that the board of directors shall lay down a code of conduct for all members of board of directors and senior management of the listed entity. The code of conduct shall suitably incorporate the duties of independent directors as laid down in the Companies Act, 2013.

FEES OR COMPENSATION:

According to Regulation 17(6), the board of directors shall recommend all fees or compensation, if any, paid to non-executive directors, including independent directors and shall require approval of shareholders in general meeting.

The requirement of obtaining approval of shareholders in general meeting shall 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.

The approval of shareholders mentioned in clause (a), shall specify the limits for the maximum number of stock options that may be granted to non-executive directors, in any financial year and in aggregate.

Independent directors shall not be entitled to any stock option.

PERFORMANCE EVALUATION:

Regulation 17(10) provides that performance evaluation of independent directors shall be done by the entire board of directors.

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

MEMBERSHIP IN DIFFERENT COMMITTEES:

The Independent Directors shall hold membership/ chairpersonship in the following committees:

1. AUDIT COMMITTEE:

Regulation 25 provides that every listed entity shall constitute a qualified and independent audit committee in accordance with the terms of reference, subject to the following:

- (a) The audit committee shall have minimum three directors as members.
- (b) Two-thirds of the members of audit committee shall be independent directors.
- (c) All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- (d) The chairperson of the audit committee shall be an independent director and he shall be present at Annual general meeting to answer shareholder queries.
- (e) The Company Secretary shall act as the secretary to the audit committee.

The quorum for audit committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors.

2. NOMINATION AND REMUNERATION COMMITTEE:

Regulation 19 envisages that the board of directors of the Company shall constitute the nomination and remuneration committee as follows:

- (a) the committee shall comprise of at least three directors;
- (b) all directors of the committee shall be non-executive directors; and
- (c) at least fifty percent of the directors shall be independent directors.
- (d) the Chairperson of the nomination and remuneration committee shall be an independent director and he shall be present at Annual general meeting to answer shareholder queries.

CORPORATE GOVERNANCE REQUIREMENTS:

According to Regulation 24, at least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, incorporated in India.

OBLIGATIONS WITH RESPECT TO INDEPENDENT DIRECTORS:

Regulation 25 provides the following in regard to the obligations with respect to Independent Directors:

Limits on Directorships: A person shall not serve as an independent director in more than seven listed entities. Provided that any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three listed entities.

Tenure: The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.

Separate meeting: The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting.

Performance evaluation: The independent directors in the meeting referred in sub-regulation (3) shall, interalia-

- (a) review the performance of non-independent directors and the board of directors as a whole;
- (b) review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors;
- (c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.

Liability: An independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations.

Resignation/Removal: An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by listed entity at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later.

Provided that where the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.

Familiarization Programme for Independent Directors: The listed entity shall familiarise the independent directors through various programmes about the listed entity, including the following:

- (a) nature of the industry in which the listed entity operates;
- (b) business model of the listed entity;
- (c) roles, rights, responsibilities of independent directors; and
- (d) any other relevant information.

Conclusion: From above, it can be rightly stated that the Independent Directors have a major role in improving the financial stability, independent and fresh decision making for the Company, boosting up and maintaining the confidence level of stakeholders, increasing the credibility, resolving the competing interest and synthesizes the perspectives of all the parties while enabling the Company to pursue the short and long- term business objectives.

G. BOARD OF DIRECTORS

1.CONSTITUTION OF BOARD OF DIRECTORS

A. UNDER THE COMPANIES ACT, 2013

MINIMUM NUMBER OF DIRECTORS

- Public Company: Three Directors
- Private Company: Two Directors
- One Person Company: One Director

MAXIMUM NUMBER OF DIRECTORS

- A Company shall have maximum of 15 Directors
- Company may appoint more than 15 Directors after passing a special resolution

MANDATORY APPOINTMENTS

Resident Director

Every company shall have at least one Director who has stayed in India for 182 days in the previous calendar year.

Woman Director:-

Following types of companies should have atleast one woman Director:

- Every Listed Company
- Every Public Company:
 - Turnover of three hundred crore rupees or more, or
 - Paid-up hare capital of one hundred crore rupees or more

(The paid up share capital or turnover as on the last date of latest audited financial statements shall be taken into account)

B. UNDER SEBI (LODR) REGULATIONS, 2015

BOARD OF DIRECTORS

(1) The composition of board of directors of the listed entity shall be as follows:

(a) Board of directors shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty per cent of the board of directors shall comprise of non-executive directors;

(b) Where the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors:

Provided that where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.

(Explanation- For the purpose of this clause, the expression "related to any promoter" shall have the following meaning:

(i) if the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;

(ii) if the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.)

(2) The board of directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.

(3) The board of directors shall periodically review compliance reports pertaining to all laws applicable to the listed entity, prepared by the listed entity as well as steps taken by the listed entity to rectify instances of non-compliances.

(4) The board of directors of the listed entity shall satisfy itself that plans are in place for orderly succession for appointment to the board of directors and senior management.

(5) (a) The board of directors shall lay down a code of conduct for all members of board of directors and senior management of the listed entity.

(b) The code of conduct shall suitably incorporate the duties of independent directors as laid down in the Companies Act, 2013.

(6) (a) The board of directors shall recommend all fees or compensation, if any, paid to non-executive directors, including independent directors and shall require approval of shareholders in general meeting.

(b) The requirement of obtaining approval of shareholders in general meeting shall 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.

(c) The approval of shareholders mentioned in clause (a), shall specify the limits for the maximum number of stock options that may be granted to non-executive directors, in any financial year and in aggregate.

(d) Independent directors shall not be entitled to any stock option.

- (7) The minimum information to be placed before the board of directors is specified.
- (8) The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified.
- (9) (a) The listed entity shall lay down procedures to inform members of board of directors about risk assessment and minimization procedures.
- (b) The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.
- (10) The performance evaluation of independent directors shall be done by the entire board of directors:

Provided that in the above evaluation, the directors, who are subject to evaluation shall not participate.

2. POWERS OF BOARD

Section 179 of the Companies Act, 2013

Section 179 of the Act deals with the powers of the board; all powers to do such acts and things for which the company is authorised is vested with board of directors. But the board can exercise only such powers which are vested with them and not with shareholders.

The following powers as entailed in section 179(3) read with relevant rules shall be exercised only by means of resolutions passed at meetings of the Board, namely:-

1. to make calls on shareholders in respect of money unpaid on their shares;
2. to authorise buy-back of securities under section 68;
3. to issue securities, including debentures, whether in or outside India;
4. to borrow monies;
5. to invest the funds of the company;
6. to grant loans or give guarantee or provide security in respect of loans;
7. to approve financial statement and the Board's report;
8. to diversify the business of the company;
9. to approve amalgamation, merger or reconstruction;
10. to take over a company or acquire a controlling or substantial stake in another company;
11. to make political contributions;
12. to appoint or remove key managerial personnel (KMP);
13. to appoint internal auditors and secretarial auditor;

The Board may, by a resolution passed at a meeting, delegate to any committee of directors, the managing director, the manager or any other principal officer of the company or in the case of a branch office of the company, the principal officer of the branch office, the powers specified in (4) to (6) above on such conditions as it may specify.

RESTRICTION ON POWERS OF BOARD:-

Restriction on powers of Board — (1) The Board of Directors of a company shall exercise the following powers only with the consent of the company by a special resolution, namely:—

(a) to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings.

Explanation.—For the purposes of this clause, (i) undertaking || shall mean an undertaking in which the investment of the company exceeds twenty per cent of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty per cent. Of the total income of the company during the previous financial year; (ii) the expression —substantially the whole of the undertaking || in any financial year shall mean twenty per cent. Or more of the value of the undertaking as per the audited balance sheet of the preceding financial year;

(b) To invest otherwise in trust securities the amount of compensation received by it as a result of any merger or amalgamation;

(c) to borrow money, where the money to be borrowed, together with the money already borrowed by the company will exceed aggregate of its paid-up share capital, free reserves and securities premium, apart from temporary loans obtained from the company's bankers in the ordinary course of business:

Provided that the acceptance by a banking company, in the ordinary course of its business, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise, shall not be deemed to be a borrowing of monies by the banking company within the meaning of this clause.

Explanation.—For the purposes of this clause, the expression “temporary loans” means loans repayable on demand or within six months from the date of the loan such as short-term, cash credit arrangements, the discounting of bills and the issue of other short-term loans of a seasonal character, but does not include loans raised for the purpose of financial expenditure of a capital nature;

(d) to remit, or give time for the repayment of, any debt due from a director.

(2) Every special resolution passed by the company in general meeting in relation to the exercise of the powers referred to in clause (c) of sub-section (1) shall specify the total amount up to which monies may be borrowed by the Board of Directors.

(3) Nothing contained in clause (a) of sub-section (1) shall affect—

(a) the title of a buyer or other person who buys or takes on lease any property, investment or undertaking as is referred to in that clause, in good faith; or

(b) the sale or lease of any property of the company where the ordinary business of the company consists of, or comprises, such selling or leasing.

(4) Any special resolution passed by the company consenting to the transaction as is referred to in clause (a) of sub-section (1) may stipulate such conditions as may be specified in such resolution, including conditions regarding the use, disposal or investment of the sale proceeds which may result from the transactions:

Provided that this sub-section shall not be deemed to authorise the company to effect any reduction in its capital except in accordance with the provisions contained in this Act.

(5) No debt incurred by the company in excess of the limit imposed by clause (c) of sub-section (1) shall be valid or effectual, unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by that clause had been exceeded

3. RESPONSIBILITY OF BOARD OF DIRECTORS

UNDER LODR REGULATIONS, 2015

Responsibilities of the board of directors: The board of directors of the listed entity shall have the following responsibilities:

Disclosure of information:

(1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.

(2) The board of directors and senior management shall 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 of good decision-making.

Key functions of the board of directors-

(1) 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.

(2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.

(3) Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.

- (4) Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
 - (5) Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.
 - (6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
 - (7) Ensuring the integrity of the listed entity'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.
 - (8) Overseeing the process of disclosure and communications.
- Monitoring and reviewing board of director's evaluation framework.

Other responsibilities:

- (1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
- (2) The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
- (3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
- (4) The board of directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
- (5) Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.
- (6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
- (7) The board of directors shall exercise objective independent judgement on corporate affairs.
- (8) The board of directors shall consider assigning a sufficient number of non-executive members of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- (9) The board of directors shall 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 listed entity to excessive risk.
- (10) The board of directors shall 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 listed entity's focus.
- (11) When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
- (12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.
- (13) In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.

(14)The board of directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors.

4. BOARD MEETING :-

UNDER COMPANIES ACT, 2013

Section 173 of the Act deals with Meetings of the Board and Section 174 deals with quorum.

The Act provides that the first Board meeting should be held within thirty days of the date of incorporation. In addition to the first meeting to be held within thirty days of the date of incorporation, there shall be minimum of four Board meetings every year and not more than one hundred and twenty days shall intervene between two consecutive Board meetings.

In case of One Person Company (OPC), small company and dormant company, at least one Board meeting should be conducted in each half of the calendar year and the gap between two meetings should not be less than Ninety days.

Notice of Board Meetings

The Act requires that not less than seven days' notice in writing shall be given to every director at the registered address as available with the company. The notice can be given by hand delivery or by post or by electronic means. In case the Board meeting is called at shorter notice, at least one independent director shall be present at the meeting. If he is not present, then decision of the meeting shall be circulated to all directors and it shall be final only after ratification of decision by at least one Independent Director.

Requirements and Procedures for Convening and Conducting Board's Meetings

Directors may participate in the meeting either in person or through video conferencing or other audio visual means.

Rule 3 of the Companies (Meetings of Board and its Powers) Rules, 2014 (hereinafter in this Chapter mentioned as Rule) provides for the requirements and procedures, in addition to the procedures required for Board meetings in person, for convening and conducting Board meetings through video conferencing or other audio visual means:

Every Company shall make necessary arrangements to avoid failure of video or audio visual connection. The Chairperson of the meeting and the company secretary, if any, shall take due and reasonable care:

- to safeguard the integrity of the meeting by ensuring sufficient security and identification procedures;
- to ensure the availability of proper video conferencing or other audio visual equipment or facilities for providing transmission of the communications for effective participation of the directors and other authorised participants at the Board meeting;
- to record the proceedings and prepare the minutes of the meeting;
- to store for safekeeping and marking the tape recording(s) or other electronic recording mechanism as part of the records of the company at least before the time of completion of audit of that particular year;
- to ensure that no person other than the concerned director are attending or have access to the proceedings of the meeting through video conferencing mode or other audio visual means; and
- to ensure that participants attending the meeting through audio visual means are able to hear and see the other participants clearly during the course of the meeting, but the differently abled persons, may make request to the Board to allow a person to accompany him.

The notice of the meeting shall inform the directors regarding the option available to them to participate through video conferencing mode or other audio visual means, and shall provide all the necessary information to enable the directors to participate through video conferencing mode or other audio visual means. A director intending to participate through video conferencing mode or audio visual means shall communicate his intention to the Chairman or the company secretary of the company. If the director intends to participate through video conferencing or other audio visual means, he shall give prior intimation to that effect sufficiently in advance so that company is able to make suitable arrangement in this behalf. The director, who desire, to participate may intimate his intention of participation through the electronic mode at the beginning of the calendar year and such declaration shall be valid for one calendar year. In the absence of any such intimation from the director, it shall be assumed that the director will attend the meeting in person.

At the commencement of the meeting, a roll call shall be taken by the Chairperson when every director participating through video conferencing or other audio visual means shall state, for the record, the following namely :

- name;
- the location from where he is participating;
- that he can completely and clearly see, hear and communicate with the other participants;
- that he has received the agenda and all the relevant material for the meeting; and

- that no one other than the concerned director is attending or having access to the proceedings of the meeting at the location mentioned above. After the roll call, the Chairperson or the Secretary shall inform the Board about the names of persons other than the directors who are present for the said meeting at the request or with the permission of the Chairman and confirm that the required quorum is complete. The roll call shall also be made at the conclusion of the meeting and at the re-commencement of the meeting after every break to confirm the presence of a quorum throughout the meeting.

With respect to every meeting conducted through video conferencing or other audio visual means authorised under these rules, the scheduled venue of the meeting as set forth in the notice convening the meeting, which shall be in India, shall be deemed to be the place of the said meeting and all recordings of the proceedings at the meeting shall be deemed to be made at such place.

The statutory registers which are required to be placed in the Board meeting as per the provisions of the Act shall be placed at the scheduled venue of the meeting and where such registers are required to be signed by the directors, the same shall be deemed to have been signed by the directors participating through electronic mode if they have given their consent to this effect and it is so recorded in the minutes of the meeting.

Every participant shall identify himself for the record before speaking on any item of business on the agenda. If a statement of a director in the meeting through video conferencing or other audio visual means is interrupted or garbled, the Chairperson or company secretary shall request for a repeat or reiteration by the director. If a motion is objected to and there is a need to put it to vote, the Chairperson shall call the roll and note the vote of each director who shall identify himself while casting his vote.

From the commencement of the meeting until the conclusion of such meeting, no person other than the Chairperson, directors, Secretary and any other person whose presence is required by the Board shall be allowed access to the place where any director is attending the meeting either physically or through video conferencing without the permission of the Board. At the end of discussion on each agenda item, the Chairperson of the meeting shall announce the summary of the decision taken on such item along with names of the directors, if any, dissented from the decision taken by majority.

The minutes shall disclose the particulars of the directors who attended the meeting through video conferencing or other audio visual means. The draft minutes of the meeting shall be circulated among all the directors within fifteen days of the meeting either in writing or in electronic mode as may be decided by the Board.

Every director who attended the meeting, whether personally or through video conferencing or other audio visual means, shall confirm or give his comments, about the accuracy of recording of the proceedings of that particular meeting in the draft minutes, within seven

days or some reasonable time as decided by the Board, after receipt of the draft minutes failing which his approval shall be presumed.

After completion of the meeting, the minutes shall be entered in the minute book as specified under section 118 of the Act and signed by the Chairperson.

Matters not to be dealt with in a Meeting through Video Conferencing or other Audio Visual Means

Rule 4 prescribe restriction on following matters which shall not be dealt with in any meeting held through video conferencing or other audio visual means:

the approval of the annual financial statements;

the approval of the Board's report;

the approval of the prospectus;

the Audit Committee Meetings for consideration of accounts; and

the approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover.

Provided further that where there is quorum in a meeting through physical presence of directors, any other director may participate through video conferencing or other audio visual means in such meeting on any matter specified

Penalty

Every officer of the company who is duty bound to give notice under this section if fails to do so shall be liable to a penalty of twenty five thousand rupees.

Quorum for Board Meetings: (Section 174 and Secretarial Standards on Board Meetings)

One third of total strength or two directors, whichever is higher, shall be the quorum for a meeting. If due to resignations or removal of director(s), the number of directors of the company is reduced below the quorum as fixed by the Articles of Association of the company, then, the continuing Directors may act for the purpose of increasing the number of Directors to that required for the quorum or for summoning a general meeting of the Company. It shall not act for any other purpose.

For the purpose of determining the quorum, the participation by a director through Video Conferencing or other audio visual means shall also be counted. If at any time the number of interested directors exceeds or is equal to two-thirds of the total strength of the Board of

directors, the number of directors who are not interested and present at the meeting, being not less than two shall be the quorum during such time.

The meeting shall be adjourned due to want of quorum, unless the articles provide shall be held to the same day at the same time and place in the next week or if the day is National Holiday, the next working day at the same time and place. It can thus be observed that the provisions of the Companies Act, 2013 relating to board meetings have been made more realistic and in line with the current expectations of the corporate sector.

Passing of Resolution by Circulation: Section 175

A company may pass the resolutions through circulation. The resolution in draft form together with the necessary papers may be circulated to the directors or members of committee at their address registered with the company in India or through electronic means which may include e-mail or fax.

The said resolution must be passed by majority of directors or members entitled to vote. If more than one third of directors require that the resolution must be decided at the meeting, the chairperson shall put the resolution to be decided at the meeting. The resolution passed through circulation be noted at a subsequent meeting and made part of the minutes of such meeting.

Defects in Appointment of Directors not to Invalidate Actions Taken: Section 176

All acts done by directors shall be valid notwithstanding that it is subsequently noticed that his appointment was invalid by reason of any defect or disqualifications or had terminated by virtue of the provisions of Companies Act, 2013 or the articles of the company. But this section doesn't give validity to any acts done by directors whose appointment has been notices to be invalid or to have terminated.

5. BOARD COMMITTEES

Committees are usually formed as a means of improving board effectiveness and efficiency in areas where more focused, specialized and technical discussions are required. These committees prepare the groundwork for decision-making and report at the subsequent board meeting. Committees enable better management of full board's time and allow in-depth scrutiny and focused attention.

The Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 and RBI guidelines have mandated certain committee for Public companies, listed entities and NBFCs respectively.

Our Companies have the following board Committees:

Audit Committee
Nomination, Compensation and Corporate Governance Committee
The Stakeholders Relationship Committee
Corporate Social Responsibility Committee and Securities Transfer Committee

Financial Resources and Management Committee
Risk Management Committee
Asset- Liability Management Committee (ALCO)
Debenture Committee
IT Strategy Committee

Internal Guidelines on Corporate Governance entails functioning of the Board based on best practices and greater transparency in adherence to the RBI guideline/directions, Listing Agreement, SEBI regulations, MCA guidelines and Companies Act, 2013. The same has been annexed to this edition as Schedule 2.

Schedule 1

Note on Board Evaluation - Key Points

I. Preface

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") contain broad provisions on Board Evaluation i.e. evaluation of the performance of

- (i) The Board as a whole
- (ii) Individual directors (including independent directors and Chairperson) and
- (iii) Various Committees of the Board.

Though the concept of Board evaluation had been mandated in the Companies Act 2013 and SEBI LODR regulations issued in September 2015, there was no clear guideline on how the evaluation was to be carried out. As such SEBI in January 05, 2017, came out with a guidance note on Board Evaluation elaborating various aspects of Board evaluation, the key points of which has been detailed hereunder.

II. Major Aspects of Board Evaluation

A. Subject of Evaluation i.e. who is to be evaluated;

As required under SEBI LODR and Companies Act, the evaluation of the Board involves multiple levels:

1. Board as a whole
2. Committees of the Board
3. Individual Directors and Chairperson (including Chairperson, CEO, Independent Directors, Non-independent directors)

B. Process of Evaluation

1. Identifying the objectives of evaluation:

The objectives may be:

- a. General objectives- Standard Objectives for all Board evaluations of the entity
- b. Specific objectives- Objectives specific to the current Board evaluation based on recent events, new issues of concern, etc.

2. Criteria of evaluation (indicative):

- a. Board as a whole (**Annexure 1**)
- b. Committees of the Board (**Annexure 2**)
- c. Individual Directors and Chairperson, including Chairperson, CEO, Independent Directors, Non independent directors. (**Annexure 3**)

3. Method of evaluation:

The guidance note states that the method of evaluation is generally in 2 ways in line with the global best practice.

Internal assessment

- A detailed Questionnaire to be circulated to individual directors, Committees, Board, etc.
- Oral assessments provided by the person on interviews

If deemed fit, the questionnaire may enable written answers to be submitted on a confidential basis. If due to various reasons, members are not willing to provide written inputs, the Chairperson or any other person may take initiative and obtain views of such members on a confidential basis.

Assessment by external experts

Care must be taken to ensure that the external assessor is not a related party or conflicted due to closeness of the Board to ensure impartiality. Such external assessment may be done based on questionnaires/interviews or a combination of the two and done on a regular basis.

4. Feedback to the persons being evaluated

On collation of all the responses, the feedback may be provided in one or more of the following ways:

- a. Orally given by Chairman/ external assessor or any other suitable person to
 - i. Each Member separately
 - ii. To the entire Board
 - iii. To the Committees

b. A written assessment to every member, Board and Committee

The active role of the Chairperson is desirable in providing feedback to the members. If members are not comfortable to open individual assessments, provision for confidentiality may be made where possible.

5. Action Plan based on the results of the evaluation process;

Based on the analysis of the responses, the Board may prepare an action plan on:

- Areas of improvement including training, skill building, etc. as may be required for Board members
- List of actions required detailing:
 - Nature of actions
 - Timeline
 - Person responsible for implementation
 - Resources required, etc.
- Review of the actions within a specific time period

The action plan may be prepared by the Board in a comprehensive manner. Suggestions under the external assessment, individual member feedback, etc. may be taken into account while drafting the action plan.

6. Disclosure to stakeholders on various aspects;

SEBI LODR and Companies Act require disclosure of manner of formal annual evaluation of the Board, its committees and individual directors (to be included in the report by Board of Directors placed in the general meeting) and of performance evaluation criteria for independent directors to the shareholders on an annual basis (to be disclosed in the section on the corporate governance of the annual report)

7. Frequency of Board Evaluation;

As per SEBI LODR and Companies Act, the Board Evaluation is required to be done once a year. However, the guidance note states that the Company, if it so desires, may also conduct such evaluation more frequently.

8. Responsibility of Board Evaluation

The responsibility of Board evaluation lies on different persons depending on the subject of evaluation as per Companies Act and SEBI LODR.

Further, the guidance note states that, generally the primary role of steering the whole process of Board evaluation and of ensuring its effectiveness in improving the Board efficiency lies on the Chairperson. Therefore, to achieve maximum benefit of the process, the role and function of Chairperson in Board Evaluation needs to be laid out clearly in advance.

Role of the Nomination and Remuneration Committee (NRC):

- a. NRC shall formulate criteria for evaluation of performance of independent directors and the board of directors.
- b. NRC shall carry out evaluation of every director's performance.
- c. NRC shall determine whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

Role of independent directors:

In the meeting of independent directors of the company (without the attendance of non-independent directors and management), such directors shall:

- 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.

Evaluation of independent directors: The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

9. Review of the entire evaluation process periodically.

The Board evaluation process needs to be periodically reviewed for improvement. The responsibility of such review of the evaluation process lies with the Board of Directors in accordance with SEBI LODR.

Such review may involve the following:

- a. Whether objectives and criteria for evaluation are adequate or needs to be changed/ updated
- b. Whether the process/method of evaluation is appropriate for individual members, Committees and the Board
- c. Whether the actions based on the Board evaluation is being followed up on a timely basis
- d. Whether the Board evaluation has enhanced effectiveness of the Board
- e. Whether the review of the process is being done on a regular basis
- f. Whether feedback of the members to improve the process is being taken into account

Such review may be done based on feedback from management, Board members, Chairperson, external assessors, various stakeholders, etc.

Annexure 1 - Criteria For Evaluation

A. Board as a whole

a. Structure of the Board:

1. **Competency of directors:** (*Different competencies may be identified as may be required for effective functioning of the entity and the Board*) -Whether Board as a whole has directors with a proper mix of competencies to conduct its affairs effectively.
2. **Experience of directors:** Whether Board as a whole has directors with enough experience to conduct its affairs effectively.
3. **Mix of qualifications:** Whether Board as a whole has directors with a proper mix of qualifications to conduct its affairs effectively.
4. **Diversity in Board under various parameters:** Gender/background/ competence/experience, etc. – Whether there is sufficient diversity in the Board on the aforesaid parameters.
5. **Appointment to the Board:** Whether the process of appointment to the board of directors is clear and transparent and includes provisions to consider diversity of thought, experience, knowledge, perspective and gender in the board of directors.

b. Meetings of the Board:

- i. **Regularity of meetings:** Whether meetings are being held on a regular basis.
- ii. **Frequency:**
 1. Whether the Board meets frequently
 2. Whether the frequency of such meetings is enough for the Board to undertake its duties properly
- iii. **Logistics:** Whether the logistics for the meeting is being handled properly- venue, format, timing, etc.
- iv. **Agenda:**
 1. Whether the agenda is circulated well before the meeting
 2. Whether the agenda has all relevant information to take decision on the matter
 3. Whether the agenda is up to date, regularly reviewed and involves major substantial decisions
 4. Whether the quality of agenda and Board papers is up to the mark (explains issues properly, not overly lengthy, etc.)
 5. Whether outstanding items of previous meetings are followed-up and taken up in subsequent agendas
 6. Whether the time allotted for the every item (especially substantive items) in the agenda of the meeting is sufficient for adequate discussions on the subject
 7. Whether the Board is able to finish discussion and decision on all agenda items in the meetings

8. Whether adequate and timely inputs are taken from the Board members prior to setting of the Agenda for the meeting
9. Whether the agenda includes adequate information on Committee's activities

v. ***Discussions and dissent:***

1. Whether the Board discusses every issue comprehensively and depending on the importance of the subject
2. Whether the environment of the meeting induces free-flowing free flowing discussions, healthy debate and contribution by everyone without any fear or fervour
3. Whether the discussions generally add value to the decision making
4. Whether the Board tends towards groupthink and whether critical and dissenting suggestions are welcomed
5. Whether all members actively participate in the discussions
6. Whether overall, the Board functions constructively as a team

vi. ***Recording of minutes:***

1. Whether the minutes are being recorded properly- clearly, completely, accurately and consistently.
2. Whether the minutes are approved properly in accordance with set procedures.
3. Whether the minutes are timely circulated to all the Board members
4. Whether dissenting views are recorded in the minutes

vii. ***Dissemination of information:***

1. Whether all the information pertaining to the meeting are disseminated to the members timely, frequently, accurately, regularly
2. Whether Board is adequately informed of material matters in between meetings

c. **Functions of the Board:**

(Functions of the Board have been specified in detail in Chapter II of SEBI LODR and Companies Act)

- i. ***Role and responsibilities of the Board:*** Whether the same are clearly documented E.g. Difference in roles of Chairman and CEO, Matters reserved for the Board, etc.
- ii. ***Strategy and performance evaluation:***
 1. Whether significant time of the Board is being devoted to management of current and potential strategic issues

2. Whether various scenario planning is used to evaluate strategic risks
 3. Whether the Board overall reviews and guides corporate strategy, major plans of action, risk policy, annual budgets and business plans, sets performance objectives, monitored implementation and corporate performance, and oversees major capital expenditures, acquisitions and divestments.
- iii. ***Governance and compliance:***
1. Whether adequate time of the Board is being devoted to analyse and examine governance and compliance issues
 2. Whether the Board monitors the effectiveness of its governance practices and makes changes as needed
 3. Whether the Board ensures the integrity of the entity'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.
 4. Whether the Board oversees the process of disclosure and communications.
 5. Whether the Board evaluates and analyses the compliance certificate from the auditors / practicing company secretaries regarding compliance of conditions of corporate governance.
- iv. ***Evaluation of Risks:***
1. Whether Board undertakes a review of the high risk issues impacting the organization regularly
 2. In assessment of risks, whether it is ensured 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 entity to excessive risk.
- v. ***Grievance redressal for Investors:***
- Whether the Board regularly reviews the grievance redressal mechanism of investors, details of grievances received, disposed of and those remaining unresolved.
- vi. ***Conflict of interest:***
1. Whether the Board monitors and manages potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions
 2. Whether a sufficient number of non-executive members of the board of directors capable of exercising independent judgement are assigned to tasks where there is a potential for conflict of interest
- vii. ***Stakeholder value and responsibility:***
1. Whether the decision making process of the Board is adequate to assess creation of stakeholder value

2. Whether the Board has mechanisms in place to communicate and engage with various stakeholders
 3. Whether the Board acts on a fully informed basis, in good faith, with due diligence and care, with high ethical standards and in the best interest of the entity and the stakeholders.
 4. Whether the Board treats shareholders and stakeholders fairly where decisions of the board of directors may affect different shareholder/ stakeholder groups differently.
 5. Whether the Board regularly reviews the Business Responsibility Reporting / related corporate social responsibility initiatives of the entity and contribution to society, environment etc.
- viii. ***Corporate culture and values:*** Whether the Board sets a corporate culture and the values by which executives throughout a group shall behave
- ix. ***Review of Board evaluation:*** Whether the Board monitors and reviews the Board evaluation framework.
- x. ***Facilitation of independent directors:*** Whether the Board facilitates the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors and any criticism by such directors is taken constructively.

d. Board and management:

- i. ***Evaluation of performance of the management and feedback:***
1. Whether the Board evaluates and monitors management, especially the CEO regularly and fairly and provides constructive feedback and strategic guidance
 2. Whether the measures used are broad enough to monitor performance of the management
 3. Whether the management's performance is benchmarked against industry peers
 4. Whether remuneration of the management is in line with its performance and with industry peers
 5. Whether remuneration of the Board and the management is aligned with the longer term interests of the entity and its shareholders.
 6. Whether the Board selects, compensates, monitors and, when necessary, replaces key managerial personnel based on such evaluation.
 7. Whether the Board 'steps 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 entity's focus.
- ii. ***Independence of the management from the Board:*** Whether the level of independence of the management from the Board is adequate

- iii. ***Access of the management to the Board and Board access to the management.*** Whether the Board and the management are able to actively access each other and exchange information
 - iv. ***Secretarial support.*** Whether adequate secretarial and logistical support is available for conducting Board meetings
 - v. ***Fund availability.*** Whether sufficient funds are made available to the Board for conducting its meeting effectively, seeking expert advice E.g. Legal, accounting, etc.
 - vi. ***Succession plan:*** Whether an appropriate and adequate succession plan is in place and is being reviewed and overseen regularly by the Board
- e. **Professional development:**
- i. Whether adequate induction and professional development programmes are made available to new and old directors
 - ii. Whether continuing directors training is provided to ensure that the members of board of directors are kept up to date

Annexure 2 – Criteria For Evaluation

B. Committees of the Board

- a. ***Mandate and composition:*** *Whether the mandate, composition and working procedures of committees of the board of directors is clearly defined and disclosed*
- b. ***Effectiveness of the Committee:*** Whether the Committee has fulfilled its functions as assigned by the Board and laws as may be applicable

(For different Committees, different functions may be laid out as sub-criteria for evaluation)

c. ***Structure of the Committee and meetings:***

- I. Whether the Committees have been structure properly and regular meetings are being held
 - II. In terms of discussions, agenda, etc. of the meetings, similar criteria may be laid down as specified above for the entire Board
- d. ***Independence of the Committee from the Board.*** Whether adequate independence of the Committee is ensured from the Board
 - e. ***Contribution to decisions of the Board:*** Whether the Committee's recommendations contribute effectively to decisions of the Board.

Annexure 3 -Criteria for Evaluation

C. Individual Directors and Chairperson (including Chairperson, CEO, Independent Directors, Non-independent directors, etc.)

General

- a. **Qualifications:** Details of professional qualifications of the member
- b. **Experience:** Details of prior experience of the member, especially the experience relevant to the entity
- c. **Knowledge and Competency:**
 - i. How the person fares across different competencies as identified for effective functioning of the entity and the Board(*The entity may list various competencies and mark all directors against every such competency*)
 - ii. Whether the person has sufficient understanding and knowledge of the entity and the sector in which it operates
- d. **Fulfillment of functions:** Whether the person understands and fulfills the functions to him/her as assigned by the Board and the law (E.g. Law imposes certain obligations on independent directors)
- e. **Ability to function as a team:** Whether the person is able to function as an effective team-member
- f. **Initiative:** Whether the person actively takes initiative with respect to various areas
- g. **Availability and attendance:** Whether the person is available for meetings of the Board and attends the meeting regularly and timely, without delay.
- h. **Commitment:** Whether the person is adequately committed to the Board and the entity
- i. **Contribution:** Whether the person contributed effectively to the entity and in the Board meetings
- j. **Integrity:** Whether the person demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.)

Additional criteria for Independent director:

- a. ***Independence:*** Whether person is independent from the entity and the other directors and there if no conflict of interest
- b. ***Independent views and judgement:*** Whether the person exercises his/ her own judgement and voices opinion freely

Additional criteria for Chairperson:

- a. ***Effectiveness of leadership and ability to steer the meetings:*** Whether the Chairperson displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, able to coordinate the discussion, etc. and is overall able to steer the meeting effectively
- b. ***Impartiality:*** Whether the Chairperson is impartial in conducting discussions, seeking views and dealing with dissent, etc.
- c. ***Commitment:*** Whether the Chairperson is sufficiently committed to the Board and its meetings.
- d. ***Ability to keep shareholders' interests in mind:*** Whether the Chairperson is able to keep shareholders' interest in mind during discussions and decisions.

Different criteria may be assigned different weights depending on the organisation's requirements, circumstances, outcome of previous assessments, stage of Board's maturity, etc. Instead of the questionnaire in a simple yes/no format, it is desirable that it provides scope for grading, additional comments, suggestions, etc.

Schedule 2

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE ("The Policy on CG")

THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Manappuram Finance Limited ("the Company") is committed to practice good Corporate Governance standards in adherence to the RBI guideline/directions, Listing Agreement, SEBI regulations, MCA guidelines and Companies Act. The prime objective is optimization of shareholder value by ensuring effective and cordial relationship with stakeholders and protecting their interests. The Company believes that its business plans and strategy should be consistent with the above objective and thereby leading to sustained corporate growth and long-term benefit to all. The principles of Corporate Governance Standards of the company place strong emphasis on transparency, accountability and integrity. The company follows these principles in all its business decisions and dealings.

The Company believes that good corporate governance results from sound processes that ensure that the Directors are well supported by accurate and timely information, sufficient time and resources and unrestricted access to management. The business judgment of the Board must be exercised independently and in the long-term interests of shareholders.

The Policy on CG will be reviewed on an annual basis or as and when deemed necessary by the Board in the context of changing regulation and emerging best practices with a view to enhancing the Company's governance.

RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, on May 8, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines and Master Circular- "Non-Banking Financial Companies- Corporate Governance (Reserve Bank) Directions, 2015, the Company has framed the following internal Guidelines on Corporate Governance.

1. BOARD OF DIRECTORS:

The Board of Manappuram Finance Limited shall comprise of minimum number of three directors and a maximum number of fifteen directors.

The Board of Directors of the company shall 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.

The board of directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.

Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise independent directors and in case the company does not have a regular non- executive Chairman, at least half of the Board should 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 shall consist of independent directors.

The board of directors shall periodically review compliance reports pertaining to all laws applicable to the company, prepared by the Company Secretary/Compliance Officer/Managing Director as well as steps taken to rectify instances of non-compliances.

The board shall satisfy itself that plans are in place for orderly succession for appointment to the board of directors and senior management and it shall lay down a Code of Conduct for all directors and senior management which shall suitably include the duties of independent directors as per the Companies Act, 2013.

The following information in general is put up to the Board at Board meetings:-

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly, half yearly and annual financial results of the company and its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the board of directors.

5. The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices, which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that may 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 investments, subsidiaries, assets which are material in nature and 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.
16. Related Party Transactions
17. Purchase and Sale of Fixed Assets, normally if the fixed assets in individual item having the value of Rs.10,00,000/- (Rupees Ten Lakhs Only) or more

18. Write-off of Bad debts
19. Appointment/Resignation/Retirement by rotation of Directors and KMPs /remuneration of Directors
20. Appointment of Senior Officials
21. Appointment of Auditors including internal auditors /Remuneration of statutory Auditors
22. Declaration of Dividend
23. Approval of Directors Report, Corporate governance report, MDL report of Annual Report
24. Diversification of Business
25. Approval of AGM/EGM Notice/Postal Ballot
26. Annual Disclosure of Directors
27. CEO/CFO Certificate
28. Approval of Circular Resolution
29. ESOP
30. Borrowing programme for the FY
31. Constitution and Reconstitution of Committees/ terms of reference/Policies and its periodical review;
32. Review of Complaints under Whistle Blower Policy and Sexual Harassments if any Issue of securities, including debentures, whether in or outside India;
33. Investing the funds of the company; and grant loans or give guarantee or provide security in respect of loans;

34. Approval of amalgamation, merger or reconstruction; take over a company or acquire a controlling or substantial stake in another company;
35. Making political contributions
36. Annual Performance evaluation of independent Directors
37. The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC;
38. Conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.
39. Undertake a process of due diligence to determine the suitability of the person for continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria

2. COMMITTEES OF THE BOARD:

A) Audit Committee:

The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The company secretary acts as the Secretary of the Audit Committee.

The committee meets at least 4 times in a year for the review of quarterly / annual financial results and at such other occasions as may be decided by it. The committee regularly invites such executives as it considers appropriate including the head of finance, head of internal audit and the representative of the statutory auditors to be present at the meetings of the committee.

Composition of Audit Committee:

Name of the Member	Position	Category of Directors
Mr. P.Manomohanan	Chairman	Independent Director
Dr. Shailesh J Mehta	Member	Independent Director
Mr. E.A. Kshirsagar	Member	Nominee Director
Mr. V.R.Rajiven	Member	Independent Director
Dr.Amla Samanta	Member	Independent Director

Terms of Reference of Audit Committee:

- 1** Oversee 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** Recommending to the Board the appointment, reappointment, and if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
- 3** Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- 4** Reviewing with management the annual financial statements before submission to the Board for approval with particular reference to:
 - a** Matters required to be included in the Directors 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 adjustment made in the financial statement arising out of audit findings.
 - e** Compliance with listing and other legal requirements relating to the 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 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 the statutory and internal auditors and adequacy of the internal control system.
- 13** Reviewing the adequacy of internal audit function if any including the structure of 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 regarding any significant findings and follow-up thereon.
- 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 audit commences about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.
- 17** To look into the reasons for substantial defaults in the payments to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.
- 18** To review the function of whistle blower mechanism in case the same exists.

- 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** Monitoring the end use of funds raised through public offers and related matters.
- 21** Carrying out any other function as mentioned in the terms of reference of audit committee.

B) Nomination, Compensation and Corporate Governance Committee:

The company through its Board of Directors shall constitute the nomination and remuneration committee which shall comprise at least three directors, all of whom shall be non-executive directors and at least half of them shall be independent. Chairman of the committee shall 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 shall not chair such Committee.

Unless the Board specifically appoint a chairman for the Committee, the committee may elect one among them as the Chairman of the committee, who shall be an independent director. Company Secretary of the company shall be the Secretary of the Committee

The committee may meet as and when necessary to dispatch the business under consideration. Minimum of one such meeting shall be held in each financial year for review of performance of directors, key managerial personnel and senior management persons. The Secretary shall in consultation with the chairman of the committee convene the meeting and give notice to all the members at least 7 days in advance of the meeting

The majority of the members or two members, whichever is less, shall form a quorum for the meeting.

The secretary shall circulate an agenda of meeting with the supporting papers as approved by the chairman to all the members of the committee sufficiently in advance of the meeting to enable the members to prepare themselves for healthy discussions and decision making at the meeting. The Secretary shall maintain the minute of the meeting. Subject to the applicable provisions of law, the minute of a meeting shall be prepared within 30 days of the meeting and submitted to the chairman for his review and the minute so reviewed shall be circulated among the members electronically. Members shall communicate their suggestion / approval if any to the Secretary or chairman. After considering the suggestions, if any, of the

members, chairman may approve the same. The minute so approved shall be submitted to the Board for noting and recording

The Board may at any time, by its own or on a recommendation of the committee, modify the terms of reference of the committee as it may consider necessary.

Composition of Committee:

Name of the Member	Position	Category of Directors
Mr. Shailesh Mehta	Chairman	Independent Director
Mr. Jagdish Capoor	Member	Independent Director
Mr.Rajiven.V.R	Member	Independent Director
Mr.E.A. Kshirsagar	Member	Nominee Director

Terms of Reference of Nomination, Compensation and Corporate Governance Committee

Considering the statutory provisions under Section 178 of the Companies Act,2013 , provisions of Clause 49 of the Listing Agreement with stock exchange and the guidelines issued by the Reserve Bank of India on Corporate Governance of NBFCs, the role and responsibilities of the committee can be classified into three broader categories such as;

I. Of nomination

II. Of fixation of remuneration and performance evaluation

III. Of Governance.

The committee shall effectively discharge its roles and responsibilities in the following manner.

I. Role of Nomination

a) The Committee shall put in place a broader policy describing the qualification, experience and other positive attributes for selection of Executive/whole time directors including their age of retirement.

b) The committee shall formulate and put in place guiding principles to determine the qualities, qualifications, and the parameters to determine the 'fit and proper' criteria for appointment of independent Directors keeping in mind the diversity quotient the company's board shall maintain from time to time and subject to the applicable regulatory requirements.

- c) Filling in a timely manner vacancies on the board of the company including the position of executive/whole time directors.
 - d) Selection of directors, key management personnel and persons to be appointed in senior management positions as defined by the board and recommend to the board for their appointment and removal thereof.
- II. Role of Fixing Remuneration and Evaluation of performance.
- a. The committee shall formulate and recommend to the Board for its approval a policy relating to the remuneration for the directors, key managerial personnel and other employees from time to time.
 - b. The policy as aforesaid shall be formulated to ensure that-
 1. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 2. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 3. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;
 - c. The committee shall review the performance of individual directors of the company on a yearly basis at the end of each financial year or at such periodicity as the committee deem fit and recommend to the board on the basis of such review, whether a director to be recommended for re-appointment or not.
 - d. The committee shall review the performance of the Executive/Whole time Directors of the company and fix suitable compensation packages in consideration of their performance, contributions, the general business environment in which the company operates and financial position of the company. The remuneration package may be a combination of fixed and performance based bonus/incentives for the period under review.
 - e. The committee shall along with the management review the performance of Key managerial personnel and senior management persons on a periodical basis and fix their remuneration packages in accordance with the policies approved by the Board. The period of gap between two such reviews shall not elapse fifteen months.
- III. Role on ensuring Compliance on governance standards.

- a. The committee shall ensure that at all times, the board of the company has a fair combination of independent, non-executive and executive directors meeting the governance standards set by the board and in compliance with regulatory requirements, listing agreements .etc. prevailing from time to time.
 - b. Ensure that the organization structure and flow of command meets the governance standard set for the internal management of the company.
 - c. The committee may evaluate and put in place proper mechanism for refreshment trainings for directors on relevant subject.
 - d. The committee shall evaluate and put in place a proper mechanism to ensure that the independence of independent directors are always maintained and to ensure that there are no situations which suggest the existence of circumstances resulting in the loss of independence of any directors of the company.
 - e. The committee shall put in place subject to the provisions of applicable laws, policies and procedure for determining the retirement and re-appointment of independent and other directors on the board of the company.
 - f. Committee shall ensure that at all times the sub committees of the Board is functioning and are constituted according to the regulatory requirement and governance policies of the company.
 - g. The committee shall oversee the overall governance standards and policies of the company and delegation of authorities to match with the best practices in relation to the size of the company and the level of its operations to protect the interest of all stake holders.
- Other Powers.

In addition to what is stated above, the Committee shall discharge such other functions as may be delegated to it by the Board or prescribed under any law, rules, regulations or orders or directions of any statutory or regulatory body including stock exchanges where the securities of the company are listed.

C) Risk Management Committee

The majority of Committee shall consist of members of the Board of Directors. Senior executives of the company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors.

The committee meets at least 2 times in a year to review the Risk Management Policy, document and improve risk management practices, ensure appropriate / adequate reporting to

the Board, review the functioning of the Risk Management Department and any other matter as the Committee may deem fit. The Committee is involved in the process of identification, measurement, monitoring and mitigation of the various risks faced by the Company. The Committee meets periodically and reports to the top Management and Board.

Composition of Committee:

Name of the Member	Position	Category of Members
Mr. Manomohanan	Chairman	Independent Director
Mr.E.A.Kshirsagar	Member	Nominee Director
Mr.Rajiven V.R.	Member	Independent Director
Mr.V.P.Nandakumar	Member	MD & CEO
Dr.Amla Samanta	Member	Independent Director
Mr.B.N.Raveendra Babu	Member	Executive Director
Mr.Shailesh J Mehta	Member	Independent Director
Head – Risk Management Department	Permanent Invitee	Head – Risk Management

APPOINTMENT OF MEMBERS, CHAIRMAN OF THE RMC, SECRETARY, INVITEES / NON-MEMBERS, QUORUM

- a) The Risk Management Committee (RMC) shall be a committee of the Board and members thereof shall be nominated by the Board. The constitution of the RMC shall be as under :
- b) The RMC meetings shall be chaired by the Chairman of the Audit Committee.
- c) The Company Secretary shall be the Secretary of the RMC. The Head of Risk Management will be a permanent invitee.
- d) The Chairman of the RMC is empowered to invite any non-member to meetings of the RMC as and when required in case their inputs are considered necessary.
- e) The quorum for the meetings shall be 3 members at least 2 of whom shall be independent directors.
- f) Decisions of the RMC shall be based on 'majority' and in case of a 'tie' the Chairman shall exercise a casting vote.

2. FREQUENCY OF MEETINGS, CIRCULATION OF AGENDA FOR MEETINGS & MINUTES

- a) The RMC shall meet at least twice in a financial year.

- b)** The agenda for the meetings shall be prepared by the Head of the Risk Management Department, recommended by the MD & CEO / ED & Dy CEO and got approved by the Chairman of the RMC.
- c)** The Company Secretary shall assist the Chairman in conduct of the meetings and coordinate with all the members and relevant non-members / invitees.
- d)** The approved agenda shall be circulated to all members of the RMC / Permanent / Special invitees at least 5 days before the scheduled date of the meeting.
- e)** The minutes of the meetings shall be recorded by the Company Secretary and circulated amongst the members after approval by the Chairman of the RMC.

3. PURPOSE AND SCOPE OF RMC & POWERS

A) The purpose of the RMC review the risk management framework and risk appetite of the Company, examine the adequacy and effectiveness of the risk management policy, and ensure appropriate / adequate reporting to the Board with recommendations where required. To this effect the RMC will:

- i)** Oversee the development and implementation of the risk management strategy and practices by the Company and assess the effectiveness thereof.
- ii)** Ensure that the Company has an appropriate and effective mechanism to identify, measure, control and monitor all applicable risks on a timely basis and as accurately as feasible.
- iii)** Call for appropriate data / information to confirm the risk assessments of the past or projections for the future including development of any key performance or risk tolerance indicators.
- iv)** Ensure that the risk management policy in force is in tune with regulatory requirements, corporate governance standards, emerging new risks and industry best practices.
- v)** Review major breaches in policy.
- vi)** Appraise uncovered / residual risks to the Board.
- vii)** Assess the capacity of the Company to withstand major 'shocks' , financial or otherwise, caused by market forces, regulatory directives, environment, any other external factors or internal upheavals.

B) The RMC shall be empowered to call for any studies, information, data or analyses in matters pertaining to management of risk from the officers of the Company, issue orders for investigation on any risk related subject including constitution of any sub-committee for such purpose and seek the opinions or reports of independent experts / professionals where considered desirable or essential.

D) Stakeholders Relationship Committee and Securities Transfer Committee

The company has constituted Shareholders grievance committee and Securities Transfer Committee to monitor the investor complaints/grievances and also to ensure quick redressal of investor complaints associated with transfer/ transmission / dematerialization of shares, non-receipt of Balance Sheet, Dividend warrants etc. Committee was also constituted to approve /authenticate security transfer requisitions submitted by the RTA in respect of listed securities and the transfer requisitions submitted to the Company, in respect of unlisted securities.

The committee was re-designated as Stakeholder Relationship Committee.

The Committee shall consist of a chairperson who shall be a non-executive director and such other members as may be decided by the Board.

Composition of Committee:

Name of the Member	Position	Category of Directors
Adv.V.R.Ramachandran	Chairman	Independent Director
Mr.V.P.Nandakumar	Member	MD & CEO
Mr.B.N.Raveendra Babu	Member	Executive Director
Mr.P. Manomohan	Member	Independent Director

Scope:

Committee was constituted to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends.

E) Asset- Liability Management Committee (ALCO):

Asset- Liability Management will be overseen by a Committee consisting of the following officials.

Managing Director & CEO- Chairman

Executive Director -Member

Head of Risk & Internal Audit

CFO – Member-Secretary

The Chairman, one of the Executive Directors and one other member will constitute the quorum.

Reserve Bank of India has stipulated templates for reporting Structural liquidity (ALM-1). Dynamic Liquidity (ALM-2) and Interest Rate Sensitivity (ALM-3). They have also provided indicative formats for compiling the figures. ALCO will use the indicative formats for compiling the figures and the Reports on ALM 1, ALM 2 and ALM3 for reviewing the liquidity and interest rate risk. The Member-Secretary will arrange for convening the meetings of ALCO once a month or as and when needed depending upon the necessity.

Composition of Committee:

Name of the Member	Position	Category of Members
Mr.V P.Nandakumar	Chairman	MD & CEO
Mr.B.N.Raveendra Babu	Member	Executive Director
Mr.Kapil Krishan	Member	Chief Financial Officer
Mr. Sridhar Kalyanasundaram	Member	GM Risk
Mrs.Bindu A.L	Invitee	CGM-Finance & Accounts
Mrs. Puneet Kaur Kohli	Invitee	Chief Technology Officer

Terms of Reference of Asset- Liability Management Committee (ALCO):

I. The committee shall meet once in a month and transact the following business;

- a.** Management of liquidity position, long term and short term.
- b.** Review of ALM Returns to be submitted to RBI.
- c.** Decision on disposal of surplus funds of the company for shorter durations (up to 6 months).
- d.** Pricing of the products of the company depending upon the cost and benefit analysis both on the asset side and liability side of the balancesheet.
- e.** Notwithstanding anything stated herein above, the committee shall consider and discharge such other functions as may be necessary for the day to day management of the company or such other functions as may be directed by RBI from time to time.

- II.** CEO of the company shall act as the chairman of the committee and in his absence the Dy.CEO and Vice Chairman of the committee shall chair the meeting.
- III.** The committee shall have power to invite such other officers or employees of the company as and when required.
- IV.** The committee shall function under the overall supervision of the risk management committee constituted under RBI Directives.
- V.** CFO shall act as the member secretary of the committee.

Discussion paper covering the following areas will be deliberated by ALCO namely;

- Liquidity risk management
- Management of market risk
- Funding and capital planning
- Profit planning and growth projection
- Forecasting and analyzing 'What if scenario' and preparation of contingency plans

F) Corporate Social Responsibility Committee (CSR Committee)

The Company has constituted Corporate Social Responsibility Committee (CSR Committee) which have substantial roles and responsibilities in respect of projects to be recommended to the board and also for the monitoring of the CSR projects, reporting. Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board.

Composition of the committee:

Name of the Member	Position	Category of Directors
Mr. Rajiven.V.R	Chairman	Independent Director
Mr.V.P.Nandakumar	Member	MD & CEO
Adv.V.R.Ramachandran	Member	Independent Director
Dr.Amla Samanta	Member	Independent Director

Role of the Committee include;-

- i)** Draft the CSR policy and recommend the same to the Board for approval.

- ii)** Review and recommend any new CSR initiatives to be taken up by the company including the selection/appointment of implementation agencies.
- iii)** Review the progress of CSR projects already undertaken by the company and the utilization of budgets for each such projects
- iv)** Review and recommend the CSR report to be included in the board's report.
- v)** Review and recommend any amendments to be made in the CSR policy of the Company.
- vi)** To carry such other functions as may be delegated to it by the board relating to CSR activities of the company.

G. Debenture Committee

The Debenture Committee has constituted by the Board of Directors for public Issuance of debentures of the company.

Composition of Committee:

Name of the Member	Position	Category of Members
Mr.V.P Nandakumar	Chairman	MD & CEO
Mr.B.N.Raveendra Babu	Member	Executive Director
Mr.Kapil Krishan	Member	Group Chief Financial Officer
Ms.Bindu A.L	Member	CGM-Finance & Accounts
Mr.Ramesh Periasamy	Member	Company Secretary

The functions of the Debenture Committee include:

- (i)** authorization of any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorneys, to do such acts, deeds and things as such authorized person in his/her/its absolute discretion may deem necessary or desirable in connection with the issue, offer and allotment of the Bonds;
- (ii)** giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time;
- (iii)** appointing the lead managers to the issue in accordance with the provisions of the Debt Regulations;
- (iv)** seeking, if required, any approval, consent or waiver from the Company's lenders, and/or parties with whom the Company has entered into various commercial and other agreements, and/or any/all concerned government and regulatory authorities in India, and/or

any other approvals, consents or waivers that may be required in connection with the issue, offer and allotment of the Bonds;

- (v) deciding, approving, modifying or altering the pricing and terms of the Bonds, and all other related matters, including the determination of the size of the Bond issue up to the maximum limit prescribed by the Board and the minimum subscription for the Issue;
- (vi) approval of the draft and final prospectus or disclosure document as the case may be (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalized in consultation with the lead managers, in accordance with all applicable laws, rules, regulations and guidelines;
- (vii) seeking the listing of the Bonds on any Indian stock exchange, submitting the listing application to such stock exchange and taking all actions that may be necessary in connection with obtaining such listing;
- (viii) appointing the registrar and other intermediaries to the Issue, in accordance with the provisions of the Debt Regulations;
- (ix) finalization of and arrangement for the submission of the draft prospectus to be submitted to the Stock Exchange(s) for receiving comments from the public and the prospectus to be filed with the Stock Exchange(s), and any corrigendum, amendments supplements thereto;
- (x) appointing the debenture trustee and execution of the trust deed in connection with the Issue, in accordance with the provisions of the Debt Regulations;
- (xi) authorization of the maintenance of a register of holders of the Bonds;
- (xii) finalization of the basis of allotment of the Bonds including in the event of over-subscription;
- (xiii) finalization of the allotment of the Bonds on the basis of the applications received;
- (xiv) acceptance and appropriation of the proceeds of the Issue; and
- (xv) to generally do any other act and/or deed, to negotiate and execute any document/s, application/s, agreement/s, undertaking/s, deed/s, affidavits, declarations and certificates, and/or to give such direction as it deems fit or as may be necessary or desirable with regard to the Issue.

H. Financial Resource & Management Committee

The Financial Resources and Management Committee has constituted by the Board of Directors to facilitate the day to day management of the company.

¹Composition of Committee:

Name of the Member	Position	Category of Directors
Mr.V.P.Nandakumar	Chairman	MD & CEO
Mr.B.N.Raveendra Babu	Member	Executive Director
Mr.P.Manomohanan	Member	Independent Director

The committee's function is to oversee and deal with the following operational matters from time to time

Terms of Reference

Objective

The main objective of the committee is to assist the Board in the day to day operations of the company.

Meetings

- a) The committee shall meet as and when it becomes necessary to consider urgent matters coming up between two board meetings and requiring Board's sanction.
- b) The quorum for the meeting of the committee shall be 2 members.

¹ FRMC reconstituted on 05/10/2016

Functions and duties

The committee shall be responsible for overseeing and dealing with operational matters from time to time. Such matters include:-

(i) Investments

- (A) To deliberate and make recommendation to the Board on all transactions and matters relating to the business of the company or its investments.
- (b) Dispose the short term surplus of the company in eligible short term investment instruments and securities with a maturity period of not more than one year as recommended by the ALM committee of the company or to meet any statutory obligations or cash collaterals as part of lending arrangement or as caution deposits and also to authorize officers or directors for the purpose.

(ii) Financial Arrangements

- a) Approve financial arrangements whether as working capital demand loans or against assignment of receivables of the company or buy out of portfolios or by such other means with banks and other financial institutions including the signing of such documents for facilities within the borrowing powers of the Board.
- b) Approve the creation of any mortgage/charge or other encumbrance over the company's properties or assets for the above purposes.
- c) Approve the issuing or providing or permitting the company to issue or provide any form of guarantee or indemnity or other financial or non-financial support in the ordinary course of business.
- d) To consider the issue of commercial papers and other short term or long term instruments for raising funds from the market.
- e) Authorize changes in signatories in respect of accounts maintained by the company with banks and other financial institutions.
- f) Authorization for opening, operation and Closing of Bank Accounts in different centers for different branches.
- g) Approve fully hedged foreign currency transactions with banks and other financial institutions

(iii) Allotment of Debentures and Bonds

Approve the allotment of debentures and bonds issued by the company within in the overall limit set for the issue and the creation/modification/satisfaction of mortgage/charge on such debentures/bonds as the case may be.

(iv) Others

- a) Authorizing officers of the company for making necessary application for registration under different enactments for employee welfare, fiscal and other municipal or local or subordinate legislations.
- b) Authorizing officers of the company by grant of power of attorneys or by

resolution so as to represent before Government, Judicial or quasi judicial bodies or other authorities for sanction, approval or other permissions on such matters affecting the business of the company.

- c) Authorizing officers of the company by grant of power of attorneys or by way of resolution for matters in connection with day to day business activities, opening of branches, execution of rent/tenancy agreements, represent the company before any statutory or regulatory bodies.

Reporting to the Board²

A summary of the business transacted by the committee as initialled by the Company Secretary shall be presented to the succeeding board meeting for the purpose of noting and recording.

I. IT Strategy Committee

IT Strategy Committee will carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matters related to IT Governance. Frequency of meetings, powers, roles and responsibilities and other matters / terms of reference of IT Strategy Committee related to IT Governance shall be as per RBI Master Direction including any amendments thereto from time to time.

IT Strategy Committee may delegate any of its powers / roles / responsibilities and may constitute sub-committees including IT Steering Committee as may be required for complying with RBI Master Direction and proper implementation of IT Governance. Minutes of IT Strategy Committee shall periodically be placed before the Board.

FIT AND PROPER CRITERIA:

The Company is having a Board approved policy for ascertaining the fit and proper criteria of the directors at the time of appointment and on a continuing basis. The policy on the fit and proper criteria is as per RBI Circular.

DISCLOSURE AND TRANSPARENCY:

The Company as per the requirement of the Companies Act, 2013, provisions of Clause 49 of the Listing Agreement with stock exchange and the guidelines issued by the Reserve Bank of India on Corporate Governance of NBFCs put up to the Board of Directors, at regular intervals, the following: ,

² **FRMC was reconstituted by Board at its meeting dated 05th October 2016**

- A)** Progress made in putting in place a risk management system, risk management policy and strategy following by the Company.
- B)** Conformity with the corporate governance standards namely, composition of various committees, their rules and functions, periodicity of meetings, and compliance with coverage and review functions

CODE OF CONDUCT

Code of Conduct for Board and Senior Management

- 1.** Manappuram Finance Ltd is committed to upholding the highest standards of moral and ethical values in the conduct of its business. The board of directors, senior management and all employees of this company share this commitment. The company has adopted the following code of conduct as its policy guide in the conduct of its business. Commitment to ethical professional conduct is expected of every member and all employees should understand and implement the code adopted by the company in its true spirit.

For the purposes of this code the Board means all directors of the company including the chairman and managing director. Senior management shall mean Deputy General Managers, all functional heads reporting to the Chief Executive Officer and the Company Secretary.

- 2.** Honesty, integrity and diligence are the fundamental aspects qualifying every act on the part of the board and senior management. They should act in good faith for and on behalf of the company and adopt the highest standards of personal ethics, integrity, confidentiality and discipline in dealing with all matters relating to the Company
- 3.** Any confidential information obtained during the course of their duty should not be used for personal aggrandizement or financial gain to self or to a third party.
- 4.** They shall not engage in any business, which is detrimental to the interests of the company. They shall maintain the confidentiality of all material and non-public information about the company or its business and must always act in the best interests of the Company and its stakeholders.
- 5.** They Shall not accept any gifts, benefits in cash or in kind or other personal favours from the customers or from those seeking any business from the company and shall conduct the activities outside the Company in such manner as not to adversely affect the image or reputation of the Company.
- 6.** The directors shall not associate with other Non-Banking Financial Companies registered with RBI outside the group either as a Director or in any managerial or advisory capacity, (not including statutory compliance and audit) without the prior approval of the Board.
- 7.** They must obey existing local, state, national, and international laws unless there is a compelling ethical basis not to do so.
- 8.** They shall strive to achieve the highest quality, effectiveness and dignity in their work and must accept social responsibilities for their acts.
- 9.** They shall always abide by the Code of Conduct, and shall be accountable to the Board for their actions/violations/default.

DUTIES OF INDEPENDENT DIRECTORS:

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.

In addition to the above duties an independent director shall be subject to following 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. refrain from any action that would lead to loss of his independence;
7. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
8. assist the company in implementing the best corporate governance practices.

An independent director shall 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.

ROTATION OF PARTNERS OF THE STATUTORY AUDITORS AUDIT FIRM

The Company shall rotate the partner of the Audit firm conducting the Audit in line with the requirement of the Companies Act, 2013, provisions of the Listing Agreement with stock exchange and the guidelines issued by the Reserve Bank of India on Corporate Governance of NBFCs.

POLICIES AS PER THE STATUTORY REQUIREMENT

The Company, in line with the requirement of the Companies Act, 2013, provisions of the Listing Agreement with stock exchange, the guidelines issued by the Reserve Bank of India and others acts, rules, and regulations applicable to the Company, has framed and adopted following policies. The policies are reviewed and updated at regular intervals based statutory requirement or on modification or amendments of various acts, rules, regulations, statues applicable to the Company.

The following policies have been framed and adopted by the company:

1. Fair Practices Code
2. Whistle Blower Policy
3. Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices
4. Loan Policy
5. Corporate Social Responsibility Policy
6. Policy on Board Composition and Compensation - (Board Diversity)
7. Policy on Resource planning
8. Policy on Related Party Transactions
9. Privacy Policy
10. Social Media Policy
11. Risk Management Policy
12. Auction Policy
13. Asset - Liability Management Policy
14. Mechanism for Dealing with Customer Complaints & Redressal

15. Income recognition policy for short term gold loans
16. Interest Rate Policy
17. Internal Audit Policy
18. Investment Policy
19. Policy for determining material subsidiary
20. Know your customer (KYC) and anti money laundering measures policy & instructions
21. Policy on transfer of unclaimed amount of secured redeemable non-convertible debentures to GOI/IEPF
22. Policy for determination of materiality and disclosure of material events/information
23. Policy on preservation of documents and archival of documents in the company website
24. Business Responsibility Report Policy
25. Gift Policy
26. Employee Speak up Policy
27. POSH Policy (Protection of Women Against Sexual Harassment at work place)
28. Cross Selling Policy
29. Dividend Distribution Policy

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