BROADCAST ENGINEERING CONSULTANTS INDIA LIMITED

(A Government of India Enterprise – Under Ministry of Information & Broadcasting)

(A Mini Ratna Company)

BOARD CHARTER

FORMAL STATEMENT OF BOARD CHARTER DEFINING THE ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS OF THE COMPANY

1. PURPOSE

This Charter sets out the key values and principles of the **Board of Directors** ("Board") of Broadcast Engineering Consultants India Limited (the Company).

In terms of Section 179 of the Companies Act, 2013 (the "Act"), the Board shall be entitled to exercise all such powers, and to do all such acts and things, as the Company is authorized to exercise and do, subject to the provisions contained in the Act or Memorandum and Articles of Association of the Company (AoA) or any decision/regulation made by members of the Company in general meeting.

Further, **Clause 3.5 of the Guidelines on Corporate Governance for CPSEs, issued by Department of Public Enterprises (DPE) provides as under: -**

"A clear definition of the roles and the division of responsibilities between the Board and the Management is necessary to enable the Board to effectively perform its role. The Board should have a formal statement of Board Charter which clearly defines the roles and responsibilities of the Board and individual Directors. The Board of each CPSE may be encouraged to articulate its Corporate Governance objectives and approach (within the broad parameters of these guidelines and the general perception of business risk) to satisfy the expectations of its majority shareholders and other stakeholders."

Hence, the Board, being the main functionary of the Company, is primarily responsible for efficient management of the affairs of the Company and to ensure value creation for its stakeholders, in addition, to ensure sustainable growth and Environmental, Social and Governance (ESG) strategies of the Company.

Therefore, the foremost requirement of good governance is to precisely identify powers, roles, responsibilities and accountability of Chairman & Managing Director, other Directors, and the Board - as a collective body. Accordingly, the Board has formulated and adopted the following paragraphs as the Board Charter of the Company.

2. COMPOSITION OF BOARD

The composition of the Board shall be subject to the applicable provisions under the law, AoA, and DPE guidelines, as amended from time to time.

Presently, the requirements with regard to the Composition of the Board of Directors for the Company are as under:

- The Board of Directors of the company shall be not less than 3 (Three) and more than 9 (Nine) - Article 49 of the AoA

- The Board of Directors of the company shall have an optimum combination of Functional, Nominee and Independent Directors with the presence of at least (01) one woman Director - Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014;

- Further, in terms of the DPE Guidelines on Corporate Governance, the composition of the Board shall be subject to the following:

    - the number of Functional Directors (including MD) should not exceed 50% of the actual strength of the Board; and

    - in case of a non-listed CPSE, at least (1/3) one-third of the Board should comprise Independent Directors.

Considering the above requirements, the Ministry of Information and Broadcasting (I&B), Administrative Ministry of the Company, has sanctioned the post of 07 (seven) Directors comprising 02 (Two) Functional Directors, 02 (Two) Government Nominee Directors, and 03 (Three) Non-official/Independent Directors.

Functional Directors including Chairman & Managing Director, Government Nominee Directors, and Independent Directors are appointed by the Ministry of I&B, Government of India from time to time.

3. ROLES & RESPONSIBILITIES OF INDIVIDUAL DIRECTORS

a) EXECUTIVE COMMITTEE/ MANAGEMENT:

The Executive Committee/ Management, headed by the Chairman & Managing Director (CMD) with Director (O&M) as Member, shall ensure day-to-day operations of the Company within the Board approved framework including strategic management of the Company's businesses, supervise and monitor implementation of business plans, formulate, and implement control systems, talent management and risk management policies.

b) WHOLE-TIME DIRECTORS:

The Chairman & Managing Director and Director (O&M) are appointed by the Government of India, normally for five years from the date of appointment or till the date of superannuation or till further orders from the Government of India, whichever is earlier.

- **Chairman & Managing Director**

Chairman & Managing Director is the Chief Executive of the Company, and is accountable to its Board of Directors and Government. He/She is responsible for the efficient functioning of the Company for achieving its corporate objectives and performance parameters.

- **Director (Operations & Marketing)**

Director (Operations & Marketing) is a member of the Board of Directors and reports to the Chairman & Managing Director. He/she advises the Chairman & Managing Director and the Board of Directors on all matters relating to the operations, marketing, business development, strategic planning, and other business matters/functions of the Company. He/she is responsible for overseeing identification of new business opportunities/participation in tenders/formulation of contracts, and overseeing projects/business being executed/undertaken by the Company. He also advises Chairman & Managing Director on efficient functioning of the Company, for achieving its corporate objectives and performance parameters.

c) GOVERNMENT NOMINEE DIRECTORS

The Government of India shall nominate 02 Directors on the Board of the Company, from the Ministry of I&B, normally on an ex-officio basis. They cease to be Director of the Company on ceasing to be the Officer of their respective position. The Government Nominee Directors shall attend the Board and Committee meetings representing the Ministry of I&B and also discharge their duties and responsibilities as stipulated under the provisions of the Companies Act, 2013. They shall not be responsible for the commissions and/or omissions exclusively attributable to the Functional Directors in their day-to-day functioning. However, they shall be accountable for the matters dealt in the meetings of the Board and also the Committee/s in which they are members.

Government Nominees act as the bridge between the Company and the Government. In addition to acting as an effective channel of communication, they coordinate the required support from the Government in a timely manner.

The dual role of a Government Director is to be recognized i.e. as a Director of the company and representative of the Government. As Directors of the Company, they are bound to exercise due diligence and act in the best interest of the Company while keeping in view the provisions of the Companies Act, 2013. The other role is to act as representative of the Government of India to protect its interest. The role of Government Directors on the Boards of Central Public Sector Enterprises (CPSEs) is provided by Department of Public Enterprises (DPE) vide OM No. F. No. 18(11)/2016-MGMT dated 24.01.2020 which is annexed as **Annexure -I.**

d) Independent Directors

"Independence of the Board is essential for sound Corporate Governance as envisaged in DPE Guidelines on Corporate Governance."

Independent Directors are appointed by the Ministry of I&B, Government of India usually for a tenure of three years or further order, whichever is earlier.

Principles of Corporate Governance require Independent Directors to review the overall strategy, oversee the performance of management, actively participate, arrive at an independent judgment, and help in the decision-making process of the Board. Their key role is to provide an unbiased, independent, varied, and experienced perspective to the Board.

Independent Directors are also not vested with any executive powers and responsibilities, unlike whole time Functional Directors, and they mainly attend the meetings of the Board and other Board Level Committees where they are nominated as Chairman/Members by the Board, as and when such meetings are convened.

Since the Independent Directors are reputed professionals drawn from diverse fields of expertise, the quality of decision making, and corporate governance is enhanced by having their views from a broader perspective. The Independent Directors are collectively responsible for the deliberations and decisions taken by the Board from time to time. Further, the detailed code for Independent Directors covering role, duties and responsibility as per Schedule IV of the Companies Act, 2013 is annexed as **Annexure -II**.

4. POWERS OF BOARD OF DIRECTORS

Article 52 of Articles of Association of the Company provides that the powers and responsibilities of the Board shall be as prescribed in the Companies Act.

Section 179(1) of the Companies t prescribes that the Board of Directors of a company shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorized to exercise and do. While exercising such power or doing such act or thing, the Board shall be subject to the provisions contained in the Memorandum and Articles of Association of the Company as duly approved by the members of the Company in the general meeting. No regulation made by the Company in the general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

Further, Section 179 (3) of the Companies Act and rules made thereunder provides that the Board of Directors of a Company shall exercise the following powers on behalf of the Company by means of resolutions passed at the meetings of the Board, namely:

a. To make calls on shareholders in respect of money unpaid on their shares;

b. To authorize buy-back of securities under Section 68;

c. To issue securities, including debentures, whether in or outside India

d. To borrow monies;

e. To invest the funds of the company;

f. To grant loans or give guarantee or provide security in respect of loans;

g. To approve financial statement and the Board's report;

h. To diversify the business of the company;

i. To approve amalgamation, merger or reconstruction;

j. To take over a company or acquire a controlling or substantial stake in another company; and

k. Other matters which include, to make political contributions, to appoint or remove Key Managerial Personnel (KMP) and to appoint Internal Auditors and Secretarial Auditors.

By passing the resolution at its meeting, the Board may delegate the powers specified in the clauses (d) to (f) above on such conditions as it may specify to any Committee of Directors, the Chairman & Managing Director or any other Officer of the Company.

Apart from the above, an illustrative list of business items which shall not be passed by circulation and shall be passed at the meeting of the Board as per Annexure A (Para 1.3.8) of Secretarial Standard -1 is annexed as **Annexure -III**.

5. DUTIES OF DIRECTORS

Section 166 of the Companies Act provides the duties of Directors as under:

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

6. GENERAL OBLIGATION OF DIRECTORS

As per the various provisions of the Companies Act, following are the further duties & responsibilities of the Directors individually and also collectively as a Board:

- Every Director shall always possess a valid Director Identification Number (DIN), subject to annual KYC compliance, and Independent Directors shall also have valid IICA registration.
- Every Director shall submit the following at the time of appointment and at the first meeting every year:
  - Form MBP-1 i.e. Disclosure of Interest of Director in other entities
  - Interest in a contract with the Company;
  - Changes, if any, to such disclosure shall also be disclosed at the first meeting held after such change
- Every Director should attend the Board meeting of the Company; he/she shall automatically be vacated from the office of directorship if he/she 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;
- The Director shall not hold directorship in more than 20 Companies of which not more than 10 shall be public Companies;
- In term of DPE OM No. 9(15) 2012-GM Dated 31/07/13, an Independent Director of CPSE shall not be director in more than 10 private companies and 03 CPSEs;
- The Directors must lay the financial statements for approval and adoption at the annual general meeting of the shareholders as stipulated under law;
- The Directors are responsible for devising proper systems to ensure compliance with the provisions of all applicable laws and to ensure that such

systems are adequate and are operating effectively.

- The Director needs to ensure that the company complies with obligations relating to corporate social responsibility;
- A Director or any other person in whom the directors are interested should not directly or indirectly accept any loan or any security or any guarantee from the Company in which he holds Directorship.
- A Director is prohibited from engaging in forward dealing of securities;
- All Board members shall affirm compliance with the Code of Conduct on an annual basis.

7. MEETINGS & QUORUM

- The Board shall meet at least four times in a year and not more than 120 days shall intervene between two consecutive meetings of the Board;
- In addition, Board can convene additional meetings, as per administrative and operational requirements of the Company;
- The Board may meet in person or through other methods including video/ audio conferencing, as may be permitted by law from time to time;
- The quorum for a Board meeting shall be either two members or one third of the members for the time being, whichever is greater, but a minimum one independent director shall be present;
- The decisions to be taken by the Board may be taken by way of a Circular Resolution (CR) wherever it is not possible or in the matter of urgency to have a meeting. However, certain matters which can't be decided through CR are placed at **Annexure III**; and
- All decisions of the Board shall be made by the majority of its members present at the duly convened meetings.

8. REPORTS AND DOCUMENTATION

- Members of the Board will be provided Agenda along with the required supporting documents atleast 07 days prior to the meeting.
- The decisions of the Board will be recorded in the minutes and shall be incorporated as a part of the draft minutes which shall be subject to the approval/comment of all the Directors.

9. BOARD COMMITTEES

The Board has two committees:

I. Audit Committee and
II. Remuneration Committee

I. AUDIT COMMITTEE

A. STATUTORY PROVISIONS

The constitution of the Audit Committee is subject to the provisions under section 177 of the Companies Act, 2013 and the rules made there-under. Further, the Department of Public Enterprises (DPE) has prescribed a set of Guidelines on Corporate Governance for CPSEs, 2010 regarding the constitution of Audit Committee and its role.

B. PURPOSE

To assist the Board of Directors in fulfilling its oversight responsibilities for financial reporting ensuring quality and integrity of the accounting, auditing and reporting practices of the Company, overseeing transactions with related parties, inter-corporate loans and investments, recommending auditors' remuneration,

evaluating financial controls and risk management systems, compliance with the legal and regulatory requirements and overseeing the operations of the internal audit team and whistleblower mechanism and such other matters as may be referred by the Board from time to time.

C. TERMS OF REFERENCE OF AUDIT COMMITTEE

Based on the Terms of Reference (ToR) as specified under Statutory Provisions, DPE Guidelines and the administrative requirements of the Company as perceived by the Board from time to time, the ToR for the Audit Committee shall be as under:

(i) Functioning of Independent/Statutory Auditor

- To recommend to the Board payment of audit fee for statutory audit services;
- To approve assignments other than statutory audit to statutory auditors and also approve payment of fees/ charges for such services;
- To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- May review letters of internal control weaknesses issued by the statutory auditors;
- To discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- To review with the independent auditors the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources;
- To forward the observation/reply to auditors within 45 days of receipt of report, if any, received on suspected fraud; and

- To consider and review following up with the independent auditor and the management;
- The adequacy of internal controls including computerized information system controls and security, and
- Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.

(ii) Functioning of Internal Auditors

- To review the appointment, performance or removal of the Internal Auditor;
- To review the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- To review internal audit reports relating to internal control weaknesses;
- To discuss with internal auditors of any significant findings and follow up thereto; and
- To review the findings of any internal investigations by the internal auditors or the findings of statutory auditors/ any other agency into matters where there is suspected fraud or irregularity or a failure of internal control systems of material nature and report the same to the Board;

(iii) Review of C&AG observations

- To review the follow-up action on the audit observations of the C&AG audit; and
- To review the follow-up action taken on the recommendations of the Committee on Public Undertakings (COPU) of the Parliament.

(iv) Review of Financial Statements

- To review, with the management, the quarterly financial statements before submission to the board for approval;
- Certification/declaration of financial statements by the Chief Executive/Chief Finance Officer; and
- To review, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - changes, if any, in accounting policies and practices and reasons for the same;
  - major accounting entries involving estimates based on the exercise of judgment by management;
  - significant adjustments made in the financial statements arising out of audit findings;
  - compliance with listing and other legal requirements relating to financial statements;
  - significant related party transactions and disclosure, if any; and
  - Management discussion and analysis of financial condition and results of operations.

(v) Review of Related Party Transactions

- Review all related party transactions, subjected to Accounting Standard 18, entered/to be entered by the company. For this purpose, Audit Committee may designate a member who shall be responsible for reviewing related party transactions.

- To approve or any subsequently modify transactions of the Company with related parties;
- To review, periodically the details of related party transactions entered into pursuant to each its omnibus approval;
- May review the periodical statement in summary form of transactions with related parties in the normal and ordinary course of business;
- To review the details of material individual transactions with related parties, which are not in the normal and ordinary course of business; and
- To review the details of material individual transactions with related parties or others, which are not on an arm's length basis, together with Management's justification for the same.

D. COMPOSITION & CHAIRPERSON

- Audit Committee shall consist of a minimum three (3) Directors as Members and at least two thirds of such Members, including the Chairperson, shall be Independent Directors.
- Each Member of Audit Committee shall satisfy the independence, experience and other requirements as prescribed under the said DPE Guidelines.
- The Chairperson shall be present at Annual General Meeting to answer Shareholder's queries.
- The Company Secretary shall act as the Secretary to Audit Committee.
- In case the Board is unable to constitute Audit Committee for want of adequate members in terms of the said DPE Guidelines, all agenda items pertaining to Audit Committee as per ToR, shall be placed before the Board directly for consideration and approval/information till such time a regular Audit Committee is constituted.

E. MEETING & QUORUM

- Audit Committee shall meet at least four times in a year and not more than 4 months shall elapse between two consecutive meetings.
- In addition, Audit Committee can convene additional meetings, as per administrative and operational requirements of the Company.
- Audit Committee may meet in person or through other methods including video/ audio conferencing, as may be permitted by law from time to time.
- The quorum for Audit Committee meeting shall either be two members or one-third of the members, whichever is greater, but a minimum 01 Independent Director shall be present.
- The Chairman of Audit Committee may invite the Chief Financial Officer, Chief Internal Auditor, representative of Statutory Auditors, and/or such other persons as it may consider necessary.
- Audit Committee shall have the power to meet with the representatives of the Company's major subsidiaries regarding their systems of internal control, results of audits and integrity of financial reporting.
- The decisions to be taken by Audit Committee may be taken by way of a Circular Resolution, wherever it is not possible or in the matter of urgency to have a meeting.
- All decisions of Audit Committee shall be made by the majority of its members present at its duly convened meetings.

II. REMUNERATION COMMITTEE

A. STATUTORY PROVISIONS

Section 178 of the Companies Act, 2013 and the rules made thereunder deal with the constitution of the Nomination and Remuneration Committee and matters related thereto. However, Section 178 is not applicable to BECIL.

Further, Chapter 5 of the Department of Public Enterprises (DPE) Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 (CPSE) provides for the constitution of the Remuneration Committee and its role.

B. TERMS OF REFERENCE OF REMUNERATION COMMITTEE

Based on the terms of reference as specified under Statutory Provisions and also the administrative requirements of the Company as perceived by the Board from time to time, the terms of reference (ToR) for Remuneration Committee the shall be as specified hereunder:

- To formulate and recommend to the Board all HR related strategy/policy matters;
- To decide the annual bonus/variable pay pool and policy for its distribution across the executives and non-unionized supervisors, within the prescribed limits;
- Consideration and recommendation of sitting fees to the Independent Directors; and
- The Committee may assume such other responsibilities as it deems necessary or appropriate in carrying out its functions and perform other activities related to this Charter or as may be referred by the Board of Directors from time to time.

C. COMPOSITION & CHAIRPERSON

- Remuneration Committee shall consist of a minimum of three Directors, all of whom shall be non-functional directors and at least fifty percent of the members shall be Independent Directors.
- The Chairperson of the Remuneration Committee shall be an Independent Director.
- In the case where the Board is unable to constitute Remuneration Committee for want of an adequate number of members as prescribed under the said DPE Guidelines, the agenda items pertaining to Remuneration Committee as per ToR shall be placed before the Board directly for consideration and approval/ information till such time, regular Remuneration Committee is constituted by the Board.
- The Chairperson of the Remuneration Committee may be present at the Annual General Meeting, to answer the Shareholders' queries; however, it shall be up to the Chairperson to decide who shall answer the queries.

D. MEETINGS & QUORUM

- Remuneration Committee shall meet at least once in a financial year. Further in addition, the Committee can convene additional meetings as per administrative and operational requirements of the Company.
- Remuneration Committee shall invite members of the Management team or such other persons as it may consider necessary.
- Remuneration Committee may meet in person or through other methods including video and/or audio conferencing, as may be permitted by the Board from time to time.
- Remuneration Committee may opt to take decisions by way of a Circular Resolution wherever it is not possible or in the matter of urgency to have a meeting.

- All decisions of the Remuneration Committee shall be made by a majority of its members.
- Quorum for the meeting shall either be 2 (two) members or one-third of the members, whichever is higher and the Chairperson of the meeting shall be an Independent Director.

E. REPORTS AND DOCUMENTATION

- Members of the Remuneration Committee will be provided Agenda along with the required briefing materials.
- Remuneration Committee meetings will record its summaries of recommendations to the Board and these shall be incorporated as a part of the Minutes provided to its members and Board.
- Remuneration Committee may report and update the Board, periodically, on various matters from time to time.

The aforesaid list of powers, responsibilities and duties are illustrative and not exhaustive. The Charter will be governed by the provisions of the Companies Act as amended from time to time. In case of controversy, law will prevail over the Charter.

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Annexure -I

F. No. 18(11)/2016-MGMT
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises
Block No. 14, CGO Complex,
Lodi Road, New Delhi
Dated 24th January, 2020

OFFICE MEMORANDUM

Subject : Role of Government Directors on the Boards of Central Public Sector Enterprises (CPSEs)

The undersigned is directed to refer to this Department's O.M. No. 18(24)/2003-GM dated 4th December, 2003 on the subject mentioned above and to state that the guidelines relating to the role of Government Directors on the Boards of CPSEs stand revised as under on the basis of consultations with various stakeholders:

2. The dual role of a Government Director should be clearly recognised i.e. as a Director of the company and representative of the Government. As Director of the company, they are bound to exercise due diligence and act in the best interest of the company while keeping in view the provisions of the Companies Act 2013. The Government being the major shareholder in CPSEs, the other role is to act as representative of the Government of India to protect its interest.

3. The Government Directors, therefore, in addition to functioning in the best interests of the company in which they have been appointed as a Director, are expected to:

- Safeguard the interest of the Government of India in the company in which they are nominated as Director in view of the shareholding/investment held.
- Take formal instructions from the Government on critical issues and to voice them in the meetings of the Board of the company.
- Provide timely feedback on decisions taken by the company to their nominating administrative Ministry/Department/organization.
- Act as a liaison and channel of communication between the Government and the CPSE.

4. Further, in respect of the issues having substantial financial and other consequences to the Government (a) as a shareholder and (b) on the policies of Government arising in the Board meetings, the Government Director should escalate such issues to the concerned administrative Ministry or the Ministry concerned with the issue, take their advice to formally prepare a view point of the Ministry and present the same in the Board of Directors meeting and also get it recorded in the Minutes. The Government Director should also regularly sensitize the Board about the relevant Government Guidelines (including DPE Guidelines) and compliance of the same.

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5. The concerned administrative Ministry/Department shall identify as to what constitutes '*issues having substantial financial and other consequences to the Government*' or '*critical/policy issues*' in the context of this guideline. The issues such as disposal of immovable assets, decision on dividend/bonus shares, leveraging Government equity for raising loans beyond sectoral norms, incurring capital expenditure beyond delegated powers, foreign collaboration, diversification into new business area, Joint Ventures, mergers and acquisitions, etc. may be considered for inclusion while forming SOP/instructions by the administrative Ministry/Department for Government Directors of CPSEs under their control. However, these issues may not be considered as exhaustive and each administrative Ministry should prepare its list of issues for the CPSEs under its administrative control for guidance of the Government Director.

6. Besides, if the Board of a CPSE decides contrary to the Government policy, the Government Director should voice the concern of the Government and get his/her dissent or disagreement recorded in the Minutes of the Board meeting and report the same to the Ministry/Department. The Government Director shall quarterly submit a report on the issues deliberated by the Board, which in his/her view merit attention of the Government and raise alerts when things are not happening as expected in the company.

7. All administrative Ministries/Departments are requested to take note of the above revised instructions and bring the same to the notice of all concerned including the Government Directors for information and compliance.

(Lokesh Bajpai)
Director
Tel : 2436-0218

To Secretaries of all administrative Ministries/Departments (by name)

Copy to :-

(i) Central Vigilance Commission (Shri Anindo Majumdar, Secretary), Central Vigilance Commission, Satkarta Bhavan, GPO Complex, Block 'A', INA,New Delhi - 110 023 - w.r.t. letter No. 019/MSC/002/444056 dated 9th January, 2020
(ii) Prime Minister's Office (Shri Saurabh Shukla, Director), South Block, New Delhi - w.r.t. PMO ID No. 260/31/c/79/2018-FE dated 20th December, 2019
(iii) Department of Personnel & Training, (Dr. C. Chandramouli, Secretary), North Block, New Delhi.
(iv) Cabinet Secretariat, (Shri Sibi Chakkravarthy M, Deputy Secretary), Rashtrapati Bhavan, New Delhi.

Copy also to :-

(i) PS to Hon'ble Minister (HI & PE)
(ii) PS to Hon'ble Minister of State (HI & PE)
(iii) PPS to Secretary (PE)
(iv) PPS to AS & FA (HI & PE)
(v) NIC, DPE - with a request to upload the guideline on DPE website

Annexure II

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.

I. Guidelines of professional conduct:

An Independent Director shall:

- uphold ethical standards of integrity and probity;
- act objectively and constructively while exercising his duties;
- exercise his responsibilities in a bona fide manner in the interest of the company;
- devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- 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;
- 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;
- refrain from any action that would lead to loss of his independence;
- where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly; and
- assist the company in implementing the best corporate governance practices.

II. Role and Functions:

The Independent Directors shall:

- 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;
- bring an objective view in the evaluation of the performance of board and management;
- scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- safeguard the interests of all stakeholders, particularly the minority shareholders;
- balance the conflicting interest of the stakeholders;
- 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; and
- moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

III. Duties:

The Independent Directors shall:

- undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- 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;

- strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- strive to attend the general meetings of the company;
- 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;
- keep themselves well informed about the company and the external environment in which it operates;
- not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- 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;
- 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;
- report concerns about unethical behaviour, actual or suspected fraud or violation of the
- Company's code of conduct or ethics policy;
- ["act within their authority"], assist in protecting the legitimate interests of the company, shareholders and its employees; and
- 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.

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Annexure III

Illustrative list of items of business which shall not be passed by circulation and shall be placed before the Board at its Meeting

General Business Items

- Noting Minutes of Meetings of Audit Committee and other Committees.
- Approving financial statements and the Board's Report.
- Considering the Compliance Certificate to ensure compliance with the provisions of all the laws applicable to the company.
- Specifying list of laws applicable specifically to the company.
- Appointment of Secretarial Auditors and Internal Auditors.

Specific Items

- Borrowing money otherwise than by issue of debentures.
- Investing the funds of the company.
- Granting loans or giving guarantees or providing security in respect of loans.
- Making political contributions.
- Making calls on shareholders in respect of money unpaid on their shares.
- Approving Remuneration of Managing Director, Whole-time Director and Manager.
- Appointment or Removal of Key Managerial Personnel.
- Appointment of a person as a Managing Director/ Manager in more than one company.
- According sanction for related party transactions which are not in the ordinary course of business or which are not on arm's length basis.

- Purchase and Sale of subsidiaries/assets which are not in the normal course of business.
- Approve Payment to Director for loss of office.
- Items arising out of a separate meeting of the Independent Directors if so decided by the Independent Directors.

Corporate Actions

- Authorize Buy Back of securities.
- Issue of securities, including debentures, whether in or outside India.
- Approving amalgamation, merger or reconstruction.
- Diversify the business.
- Takeover another company or acquire a controlling or substantial stake in another company.

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