

# CLAUSE 49 OF LISTING AGREEMENT [BOARD OF DIRECTORS]

**MegaMinds**

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# CLAUSE 49 OF LISTING AGREEMENT

## INTRODUCTION:-

- ❑ Listed companies have to follow it.
- ❑ First introduced in year 2000-2001 based on recommendation of Kumar Mangalam Birla Committee.
- ❑ After 2 years for improving existing practices, set up a committee under chairmanship of Mr. Narayan Murthy during 2002-2003.
- ❑ After holding 3 meetings Committee had submitted draft recommendation on corporate governance norms.
- ❑ SEBI accepted recommendation in August 2003.
- ❑ Publish on SEBI website on 15<sup>th</sup> August 2003 for public comment.
- ❑ 29<sup>th</sup> October, 2004 SEBI implemented for the financial year 2005-2006.

# CLAUSE 49 OF LISTING AGREEMENT

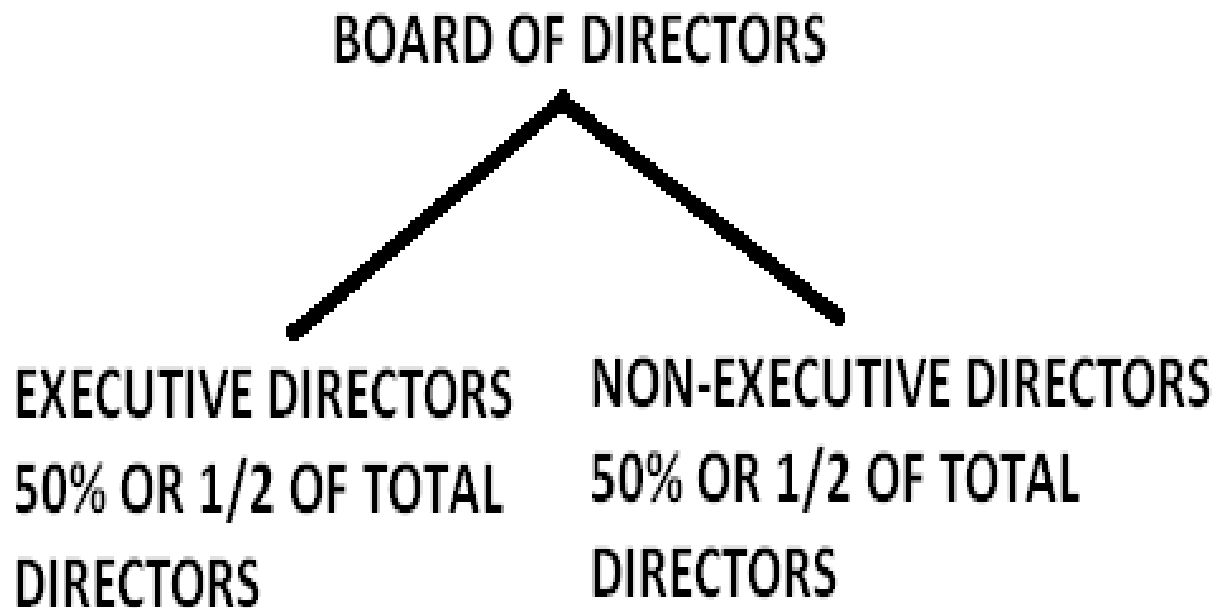
## CONTENT :-

- I. BOARD OF DIRECTORS
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- III. SUBSIDIARY COMPANY
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- V. CEO/CFO CERTIFICATION
- VI. REPORT ON CORPORATE GOVERNANCE
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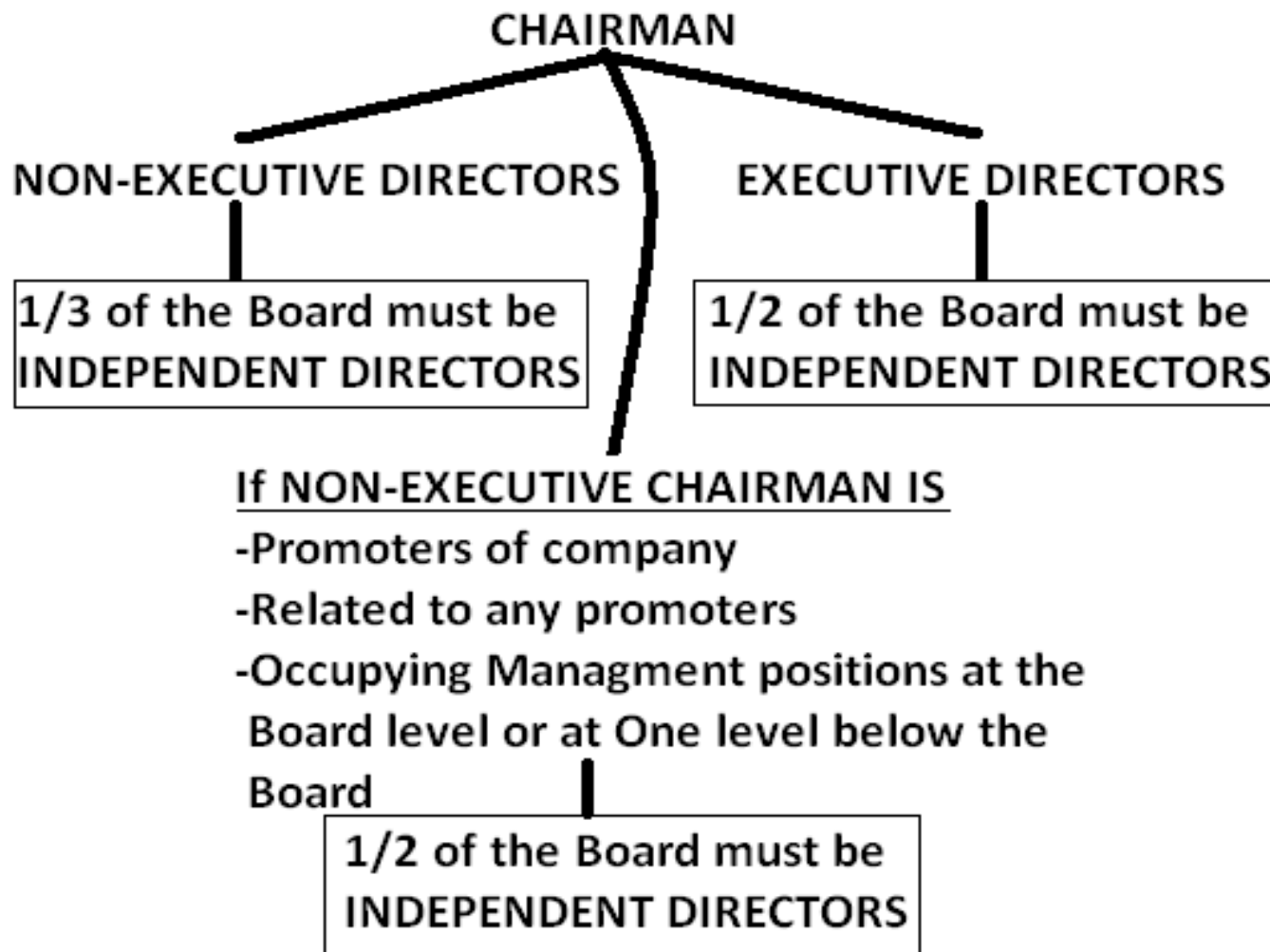
# I. BOARD OF DIRECTORS

## A. COMPOSITION OF BOARD OF DIRECTORS

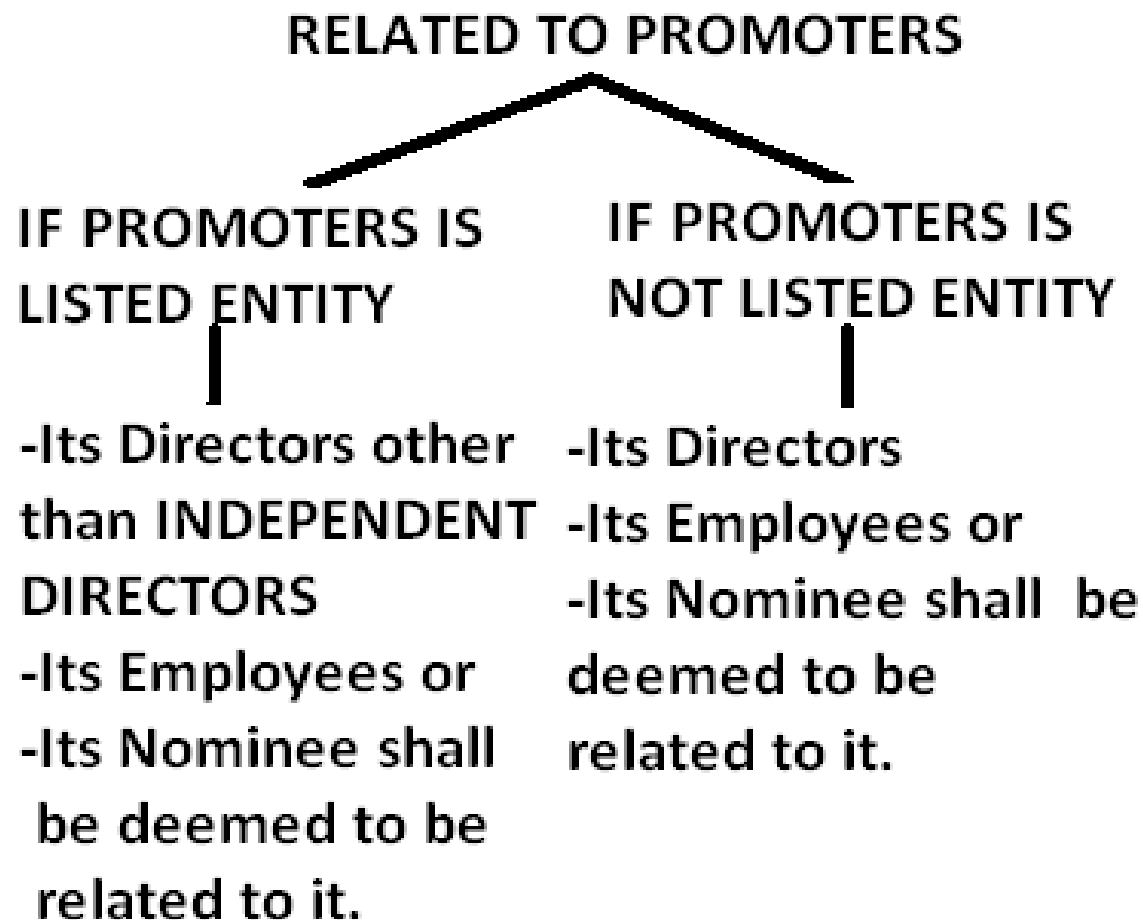
### i. COMPOSITION OF BOARD OF DIRECTORS



## ii. CHAIRMAN FOR BOARD MEETING



- RELATED TO PROMOTERS means



### iii. INDEPENDENT DIRECTORS Means

Non Executive Director of company who

- ▶ apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company
  - its promoters,
  - its directors,
  - its senior management,
  - its holding company,
  - its subsidiaries and associates,which may affect independence of the director;
- ▶ is not related to promoters or persons occupying management positions at the board level or at one level below the board;
- ▶ has not been an executive of the company in the immediately preceding three financial years;

- ▶ is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
  - the statutory audit firm or the internal audit firm that is associated with the company, and
  - the legal firm(s) and consulting firm(s) that have a material association with the company.
- ▶ is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director;
- ▶ is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares.
- ▶ is not less than 21 years of age.



### Explanation for the purpose of Sub-Clause (iii)

- ❖ **Associate** shall mean a company which is an “**associate**” as defined in Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”, issued by the Institute of Chartered Accountants of India.
- ❖ “**Senior management**” shall mean personnel of the company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management one level below the executive directors, including all functional heads.
- ❖ “**Relative**” shall mean “**relative**” as defined in section 2(41) and section 6 read with Schedule IA of the Companies Act, 1956.
- ❖ Nominee directors appointed by an institution which has invested in or lent to the company shall be deemed to be **independent directors**.

## B. NON EXECUTIVE DIRECTORS' COMPENSATION AND DISCLOSURES



The shareholders' resolution shall specify the limits for the maximum number of stock options that can be granted to non-executive directors, including independent directors, in any financial year and in aggregate.

## C. OTHER PROVISIONS AS TO BOARD AND COMMITTEES

- ▶ The board shall meet at least four times a year, with a maximum time gap of three months between any two meetings.
- ▶ A director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director.
  - ❖ For the purpose of considering the limit of the committees on which a director can serve, all public limited companies, whether listed or not shall be included and private limited companies, foreign companies and companies under Section 25 of the Companies Act shall be excluded.
  - ❖ Chairmanship/membership of the Audit Committee and the Shareholders' Grievance Committee alone shall be considered.

- ▶ The Board shall periodically review compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.
- ▶ An Independent Director who resigns/removed from Board shall be replaced by new independent director within period of not more than 180 days from the day of such resignation/removal. **If company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation/removal, the requirement of replacement by a new independent director within the period of 180 days shall not apply.**

## D. CODE OF CONDUCT

■ The Board shall lay down a code of conduct for all Board members and senior management of the company. The code of conduct shall be posted on the website of the company. Some of the Code of conduct are as follows:

- ❖ Act with honest, good faith as well as high moral and ethical standards.
- ❖ Shall be independent in Judgment and actions.
- ❖ Shall not commit any offence involving moral turpitude.
- ❖ Shall not allow their personal interest to conflict with the interest of the Company.
- ❖ Shall not participate in any decision making process on a subject matter in which a conflict of interest exists.
- ❖ Shall not disclose any Price Sensitive Information/Unpublished Price Sensitive information that may affect performance of the Company.
- ❖ Managing Directors must appoint any person who spoke with outsiders (media, press) about company performance.

- ❖ The Officers shall not serve as director of any other company.
  - ❖ The Officers shall protect the Company's assets including physical assets, intangible assets, information and intellectual rights and shall not use the same for personal gain.
  - ❖ Company shall ensure that their actions in the conduct of business are totally transparent except where the needs of business security dictate otherwise.
  - ❖ All the members of the Board and senior management personnel of the company shall follow all prescribed safety and environment related norms.
- ▶ All Board members and senior management personnel shall affirm compliance with the code on an annual basis & signed by the CEO.

**“Senior management”** shall mean personnel of the company who are members of its core management team excluding Board of Directors and would comprise all members of management one level below the executive directors, including all functional heads.



THANK YOU