

Format for grading Central Public Sector Enterprises (CPSEs) on the basis of their compliance of Guidelines on Corporate Governance

Name of CPSE : ANDREW YULE & COMPANY LIMITED (AYCL)

Name of Ministry/Department : DEPARTMENT OF HEAVY INDUSTRY, MINISTRY OF
HEAVY INDUSTRIES & PUBLIC ENTERPRISES,
GOVERNMENT OF INDIA

Listed/Unlisted: Listed Year : 2018-19 Quarter: April, 2018-June, 2018

1.1 Composition of Board (2 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i. | Does the Board of the Company have an optimum combination of functional, nominee and independent directors? (The optimum number of members in the board may be decided by the DPE) | 1 | Yes=1 No=0 | 0 |
| ii. | Does the number of functional directors in the company (including CMD/MD) not exceed 50% of the actual strength of the board? | 1 | Yes=1 No=0 | 1 |

1.2 Non-official Directors (5 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i. | Is the number of Nominee Directors appointed by Government/other CPSE as per the DPE Guidelines? | 1 | Yes=1 No=0 | 1 |
| ii | Is the number of Independent Directors at least 50% of Board Members (in the case of listed CPSE with an executive chairman) and at least one-third (in the case of listed but without an executive chairman or not listed CPSE)? | 4 | Yes = 4 No = 0 | 0 |

1.3 Part-time Directors' Compensation and Disclosure (1 Mark)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i | Is the fee/compensation of Non-Official Part-Time Directors fixed by Board as per the DPE Guidelines and Companies Act, 2013? | 1 | Yes = 1 No = 0 | 1 |

1.4 Board Meetings (2 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i | Does the Board meet atleast once in every three months and the time gap between any two meetings is not more than three months? | 1 | Yes = 1 No = 0 | 1 |
| ii | Does the Company send to all the members of the Board notification of Board meetings with atleast one volume of agenda atleast 7 days in advance of meetings? | 1 | Yes = 1 No = 0 | 1 |

1.5 Review of Compliance of Laws (5 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i | Does the Board periodically review compliance reports of all laws applicable to the company as well as steps taken by the company to rectify instances of non-compliances? | 5 | Yes = 5 No = 0 | 5 |

1.6 Code of Conduct (2 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i | Does the company have Code of Conduct approved by the Board applicable to Board members and Senior Management of the company? | 1 | Yes = 1 No = 0 | 1 |
| ii | Do the members of the Board having conflict of interest abstain from participating in the agenda item in which he/she has personal interest? | 1 | Yes = 1 No = 0 | 1 |

1.7 Risk Management (4 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i | Does the company have risk management plan approved by the Board? | 2 | Yes = 2 No = 0 | 2 |
| ii | Does the Board periodically review and take remedial action to implement the risk management plan? | 2 | Yes = 2 No = 0 | 2 |

1.8 Training of New Board Members (4 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i | Does the Company have a policy specifying training requirements for board members? | 2 | Yes = 2 No = 0 | 2 |
| ii | Does the company provide training to the new Board members of atleast three days after appointment to the Board? | 2 | Yes = 2 No = 0 | 2 |

2.1 Constitution of Audit Committee (4 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i | Does the Board of Directors have a qualified and independent Audit Committee with a Terms of Reference? | 1 | Yes = 1 No = 0 | 1 |
| ii | Does the Audit Committee have Minimum three directors as members and two-third of its members as Independent Directors? | 1 | Yes = 1 No = 0 | 1 |
| iii | Is the Audit Committee chaired by an Independent Director? | 1 | Yes = 1 No = 0 | 1 |
| iv | Do all members of the Audit Committee have knowledge of financial matters of the company and at least one member has expertise in accounting and financial management? | 1 | Yes = 1 No = 0 | 1 |

2.2 Audit Committee Role (6 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i | Does the scope/ terms of reference governing the Audit Committee specify that the Audit Committee is responsible for the oversight of the company's financial reporting process and the disclosures of its financial information? | 1 | Yes = 1 No = 0 | 1 |
| ii | Does the scope/ terms of reference governing the Audit Committee specify that it can recommend to the Board the fixation of audit fees? | 1 | Yes = 1 No = 0 | 1 |
| iii | Does the scope/ terms of reference governing the Audit Committee specify that it can approve the payment to statutory auditors for any other services rendered by them? | 1 | Yes = 1 No = 0 | 1 |
| iv | Does the scope/ terms of reference governing the Audit Committee specify that the Audit Committee is responsible for reviewing with the management and ensuring that the company's annual financial statements and audits are in compliance with applicable laws, regulations, and company policies before submission to the Board for approval? | 1 | Yes = 1 No = 0 | 1 |
| v | Does the scope/ terms of reference governing the Audit Committee specify that the Audit Committee is responsible for reviewing with the management the performance of internal auditors and adequacy of the internal control systems. | 1 | Yes = 1 No = 0 | 1 |
| vi | Does the scope/ terms of reference governing the Audit Committee approved by the Board? | 1 | Yes = 1 No = 0 | 1 |

2.3 Audit Committee Powers (5 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i | Is the Audit Committee empowered to seek information from any employee of the CPSE? | 1 | Yes = 1 No = 0 | 1 |
| ii | Does the Audit Committee have powers to secure help of outside legal or any other experts when necessary? | 1 | Yes = 1 No = 0 | 1 |
| iii | Does the Audit Committee have powers to mitigate conflicts of interest by strengthening auditor independence? | 1 | Yes = 1 No = 0 | 1 |
| iv | Is the Audit Committee empowered to ensure the effectiveness of internal controls and risk management? | 1 | Yes = 1 No = 0 | 1 |
| v | Is there a system of protection for employees and others who report infractions (to protect "whistle blowers")? | 1 | Yes = 1 No = 0 | 1 |

2.4 Meeting of Audit Committee (5 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i | Did the Audit Committee meet at least four times during the last 12 months? | 1 | Yes = 1 No = 0 | 1 |
| ii | Does the frequency of the Audit Committee meetings as per the norms (i.e. not more than four months shall elapse between two meetings)? | 2 | Yes = 2 No = 0 | 2 |
| iii | Did the minimum of two Independent Directors attend the meeting of the Audit Committee? | 2 | Yes = 2 No = 0 | 2 |

2.5 Review of Information by Audit Committee (5 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i | Does the Audit Committee review the management discussion and analysis of financial condition and results of operations? | 1 | Yes = 1 No = 0 | 1 |
| ii. | Does the Audit Committee review the statement of related party transactions submitted by management? | 1 | Yes = 1 No = 0 | 1 |
| iii. | Do the internal audit report relating to internal control weaknesses reviewed by the Audit Committee? | 1 | Yes = 1 No = 0 | 1 |

| | | | | |
|-----|--|---|-------------------|---|
| iv. | Is the information regarding appointment and/or removal of Chief Internal Auditor placed before the Audit Committee? | 1 | Yes = 1 No = 0 | 1 |
| v. | Does the Audit Committee review the declaration of financial statements by the CEO/CFO? | 1 | Yes = 1 No = 0 | 1 |

3.1 Constitution of Remuneration Committee (5 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i. | Does the Company have Remuneration Committee? | 1 | Yes = 1 No = 0 | 1 |
| ii | Does the remuneration committee comprise of at least 3 directors who are all part-time directors (Nominee or Independent)? | 2 | Yes = 2 No = 0 | 2 |
| iii | Is the remuneration committee chaired by an Independent Director? | 2 | Yes = 2 No = 0 | 2 |

4.1 Board of Subsidiary Companies (3 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|------------------------------|
| i. | Does the Board of Subsidiary company, whose turnover or networth is not less than 20% of the turnover or networth respectively of the holding Company in the immediately preceding accounting year, include at least one independent director of the holding company as a director? | 1 | Yes = 1 No = 0 | Not Applicable (see note) |
| ii | Are the minutes of meetings of Board of Directors of subsidiary company placed in the Board meetings of the holding company? | 1 | Yes = 1 No = 0 | 1 |
| iii | Does the number of functional directors (including CMD/MD) not exceed 50% of the actual strength of the board of Subsidiary Company, whose turnover or networth respectively is not less than 20% of the turnover or networth of the Holding Company in the immediately preceding accounting year? | 1 | Yes = 1 No = 0 | Not Applicable (see note) |

Note: The turnover or net worth of the Subsidiary Companies is less than 20% of the turnover or net worth of the Holding Company, hence point nos. i) and iii) of the above are not applicable.

4.2 Review of Financial Statement of Subsidiary by Audit Committee (1 Mark)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i. | Does the Audit Committee of the holding company review the financial statements of the subsidiary company? | 1 | Yes = 1 No = 0 | 1 |

4.3 Review of Performance of Subsidiary by Board (1 Mark)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i. | Does the Board of Directors of the holding company review the performance of the subsidiary company? | 1 | Yes = 1 No = 0 | 1 |

5.1 Transactions (3 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------------------|
| i. | Is the summary of transactions with related parties in the normal and ordinary course of business placed periodically before the Audit Committee? | 1 | Yes=1 No=0 | 1 |
| ii. | Are the details of material individual transactions with related parties undertaken in extraordinary circumstances of business placed before the Audit Committee? | 1 | Yes=1 No=0 | Not Applicable (see note) |
| iii. | Are the details of material individual transactions with related parties or others, which are not on an arm's length basis placed before the Audit Committee along with Management's Justification for the same? | 1 | Yes=1 No=0 | Not Applicable (see note) |

Note: There was no material individual transactions with the related parties took place during the quarter under review hence point nos. ii and iii are not applicable.

5.2 Accounting Standards (3 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i. | Do the company's accounting procedures comply with the Accounting Standards adopted by concerned regulatory authority from time to time? | 2 | Yes=2 No=0 | 2 |
| ii. | Is the deviation from the prescribed Accounting Standards disclosed and explained in the financial statements and in the Corporate Governance Report of the Company? | 1 | Yes=1 No=0 | 1 |

5.3 Consolidated Financial Statements (3 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i. | Are the Consolidated Financial Statements of the Company prepared in accordance with the Accounting Standards issued by concerned regulatory authority from time to time? | 3 | Yes=3 No=0 | 3 |

5.4 Segment-wise Profit and Loss Statement (3 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i. | Does the company disclose segment-wise profit & loss as per Accounting Standard issued by concerned regulatory authority from time to time? | 3 | Yes=3 No=0 | 3 |

5.5 Board Disclosures – Risk Management (3 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i. | Do the company's latest Annual Report include management's assessment of the company's outlook for the future and identify important risks that the company may face in future? | 2 | Yes=2 No=0 | 2 |
| ii. | Has the Company included in its latest Annual Report a statement of its corporate objectives (Mission)? | 1 | Yes=1 No=0 | 0 |

5.6 Remuneration of Directors (3 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i. | Does the company's latest Annual Report disclose all pecuniary relationship or transactions of the part-time directors vis-à-vis the company? | 2 | Yes=2 No=0 | 2 |
| ii. | Does the company disclose in its latest Annual Report the details on remuneration of Directors? | 1 | Yes=1 No=0 | 1 |

5.7 Management Discussion and Analysis (1 Mark)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i. | Do the Management Discussion and Analysis Report include the matters as specified in the DPE Guidelines? | 1 | Yes=1 No=0 | 1 |

5.8 Disclosures by Senior Management (1 Mark)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i. | Does the Company's latest Annual Report disclose significant "related party" transactions of Board Members where they have personal interest? | 1 | Yes=1 No=0 | 1 |

6.1 Report on Corporate Governance (4 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i. | Does the company's latest Annual Report have a separate section on Compliance to Corporate Governance Guidelines issued by DPE? | 2 | Yes=2 No=0 | 2 |
| ii. | Does the company produce periodic reports and press releases to indicate significant developments impact on corporate governance (such as, legal and environmental issues; commitment to workforce, suppliers, customers and local communities etc.)? | 1 | Yes=1 No=0 | 1 |
| iii. | Does the Company have facility for information sharing with stakeholders through the use of information and communication technologies (ICT)? | 1 | Yes=1 No=0 | 0 |

6.2 Compliance Certificate (4 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i. | Has the company obtained a Certificate from the auditors and/ or practicing Company Secretary regarding Compliance of Corporate Governance Guidelines and Annexes? | 2 | Yes=2 No=0 | 2 |
| ii. | Does the latest Annual Report of the company include the Compliance Certificate along with the Directors' Report, which is also sent to all shareholders? | 2 | Yes=2 No=0 | 2 |

6.3 Chairman's Speech in AGM and Annual Report (4 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i. | Does the Chairman's speech at the latest AGM include a section on compliance with Corporate Governance guidelines? | 2 | Yes=2 No=0 | 2 |

| | | | | |
|-----|--|---|---------------|---|
| ii. | Does the Chairman's Letter/ Message to Shareholders from part of Annual Report of the company? | 2 | Yes=2 No=0 | 0 |
|-----|--|---|---------------|---|

6.4 Holding AGM, Adoption of Audited Accounts and Filing of adopted Accounts with the registrar of Companies within the stipulated time (4 Marks)


| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|--|------------------|--------------------------|---------------|
| i. | Did the Company hold an Annual General Meeting (AGM) as per the provisions of the Companies Act, 1956? | 1 | Yes=1 No=0 | 1 |
| ii. | Are the year-end Audited Accounts placed in the AGM for adoption by the shareholders of the company? | 2 | Yes=2 No=0 | 2 |
| iii. | Are the year-end Audited Accounts adopted in the AGM filed with the Registrar of Companies within the stipulated time? | 1 | Yes=1 No=0 | 1 |

6.5 Timely Submission of Grading Report (4 Marks)

| Sl.No. | Guidelines Proposed by Committee | Prescribed Marks | Criteria for Measurement | Awarded Marks |
|--------|---|------------------|--------------------------|---------------|
| i. | Does the company submit quarterly grading report regarding DPE Guidelines on Corporate Governance in the prescribed format to respective Administrative Ministries within 15 days from the close of each quarter? | 4 | Yes=4 No=0 | 4 |

| Grade | Total Marks Scored |
|-----------|-----------------------|
| Excellent | 87 out of 96 (90.63%) |

For Andrew Yule & Company Limited


(Sucharita Das)
Company Secretary