

JSP Associates
Company Secretary

Corporate Governance in India

Checklist on Compliance of Corporate Governance for Listed Companies

Sr.	Subject	Requirement
1	Non-executive Directors	
1.1		Not less than fifty percent of total number of Directors should be Non-executive. Non-executive means all Directors other than Whole Time Directors OR Managing Director.
1.2		If not complied – what steps Board has taken for compliance.
1.3		Non-executive can continue upto 3 terms of three years continuously.
1.4		Any new such Director has to declare his shareholding in a company when he is appointed along with Notice of appointment.
2	Independent Directors	
2.1		Means Non-executive Directors who does not have pecuniary relationship with :-
2.1.1		Company
2.1.2		Its Promoters.
2.1.3		Its Senior Management.
2.1.4		Its Holding Company.
2.1.5		Its Subsidiaries.
2.1.6		Its Associated Companies.
2.2		Not related to Promoters or Management at Board Level or one level below the Board.
2.3		He was not executive of the Company in immediately preceding three financial years.
2.4.1		He is not Partner / Executive of Audit firm or legal firm or Consulting firm which is associated with Company or was not partner in last 3 years of firm.
2.5		He is not Vendor, Supplier, Customer, Lessor, Lessee of the Company.
2.6		He is not holding more than two percent of company's shares
2.7		If Chairman of the Board is Executive – at least half of the number should be Independent.

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2	Independent Directors	
2.7.1		If Chairman is non-executive – at least half of the Board should be Independent.
2.8		Company to place before them Legal Compliance Report and steps taken by Company to cure any taint.
2.8.1		In case of any proceedings against independent directors – no defence is available on unawareness.
3	Board Meetings	
3.1		Not less than Four Board Meetings held in a year.
3.2		Gap between two meetings is not more than four months.
3.3		Whether following information was given to the Board.
3.3.1		Operating Plans & Budget.
3.3.2		Capital Budget.
3.3.3		Quarterly Results.
3.3.4		Minutes of all Committee Meetings including Audit.
3.3.5		Terms of any new recruitment of CFO, company secretary or any senior Executive one level below Board and information on removal of such officers.
3.3.6		Materially important Notice of Demand, Prosecution, Penalty.
3.3.7		Information on fatal accident, dangerous occurrence, material effluent, environment / pollution problem.
3.3.8		Material Financial default on payment to be received or paid by the Company.
3.3.9		Details of any Public or Product liability claims or stricture by judiciary against the Company.
3.3.10		Details of Joint Venture of Foreign Collaboration.
3.3.11		Transactions for substantial payment for intellectual property rights.
3.3.12		Significant Labour problem.
3.3.13		Sale of investments, assets, subsidiary.
3.3.14		Quarterly results with segmentwise.

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Sr.	Subject	Requirement
3	Board Meetings	
3.3.15		Foreign Exchange Exposure.
3.3.16		Non-compliance of any regulatory or listing rules.
3.4		All disclosures by Directors for transactions having conflict of interest with Company.
3.5		Disclosure of Directorships / Chairmanship of each director in other company.
3.5.1		Total number of directorship should not be more than ten (other than private & foreign companies).
3.5.2		Total number of Chairmanship should not be more than five.
3.5.3		Each director to inform the company of any change during the year in directorships or chairmanships.
3.6		Remuneration of non-executive directors decided by Board subject to Members approval.
3.7		Remuneration of independent directors decided by Board subject to Members approval.
3.8		Management to place report duly certified by Compliance Officer on business risks, measures taken to minimize risks.
4	Compensation Policy for Non-executive Directors	
4.1		Company philosophy and details of remuneration to non-executive directors in annual report and also in website.
4.2	Stock Options to non-executive directors	Limits to be set for maximum numbers to be granted in a financial year.
4.2.1		Stock options granted to non-ex. Directors to be vested after one year of retirement from Board
5	Share Transfers	
5.1		Board has delegated powers to officer or committee or Registrars
5.2		Delegated authority to meet once in fortnight to attend share transfer formality

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Sr.	Subject	Requirement
6	Code of Conduct for Board & Seniors Mgmt.	
6.1		Company has laid down Code.
6.2		Coverage of Board and senior executive one level below Board.
6.3		Code is placed on website.
6.4		All covered persons affirm compliance annually.
6.5		Annual report to contain declaration signed by CEO and COO.
7	Investor's Grievance Committee	
7.1		Investor's Grievance Committee is constituted.
7.2		Chairman of Committee is Non-executive.
7.3		Committee to look into share transfers, non-receipt of annual reports, non-receipt of dividends.
8	Audit Committee	
8.1		Company has set up an audit committee.
8.2		Minimum members is three.
8.3		All members are non-executive.
8.4		Majority of members are independent.
8.5		All members are financially literate i.e. ability to read and understand basic financial statement.
8.6		At least one member to be expert in accounts and finance i.e having professional degree or experience.
8.7		Chairman of Audit Committee to remain present at Members Annual meeting to answer members queries.
8.8		Company Secretary of the company to act as Secretary of Audit Committee.
8.9		To invite such executives as it may consider appropriate.
8.10		Head of Finance to remain present in most of meetings.
8.11		Head of Finance and Internal Audit as well as statutory auditor to be invited when required.
8.12		Committee to meets atleast three times a year.

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Sr.	Subject	Requirement
8	Audit Committee	
8.13		One meeting to be held before finalisation of annual accounts.
8.14		At least two or one-third, whichever is higher, members remain present to form quorum.
8.15		Committee to have powers to:
8.15.1		Seek information from employees.
8.15.2		Investigate any activity within terms of reference.
8.15.3		Obtain legal or professional advice.
8.15.4		Secure attendance of outsiders when relevant.
8.16		Role of Audit Committee to include:
8.16.1		Oversight financial reporting and disclosures.
8.16.2		Ensure financial statements id correct, credible and sufficient.
8.16.3		Appointment / Removal of external auditors, their fees and additional scope.
8.16.4		Review of Annual Accounts to check:
		a. Change in accounting policies.
		b. Major accountings on judgment of management.
		c. Any qualification by external auditors.
		d. Major adjs. Due to audit.
		e. Going concern assumption.
		f. Compliance of accounting standards.
		g. Compliance of stock exchange regulations.
		h. Compliance of legal requirements.
		i. Any related party transactions as per AS 18 defined by ICAI.
8.17		Review with Management on Internal Control Systems.
8.18		Review of Internal Audit functions, staffing, reporting etc.
8.19		Major points arising from Internal Audit and its findings.
8.20		Pre and Post Audit discussion with external auditors.
8.21		Review of Company's financial and management policies.

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8	Audit Committee	
8.22		To look into reasons for major defaults in payments to creditors, depositors, debenture holders and members.
8.23		All related party transactions are approved / ratified.
8.24		Check uses of IPO funds.
8.25		Recommendation to Board if IPO funds are diversified.
8.26		Review of :
8.26.1		All financial results and audit report.
8.26.2		Management Discussion on financial conditions and operations.
8.26.3		Report on compliance of laws and risk management.
8.26.4		Weakness letters from Internal / External auditors and management's communication.
8.26.5		Records of related party transactions.
8.26.6		Usage of IPO funds in capital assets, working capital etc.
8.26.7		Financials of subsidiaries.
8.27		Ensure that any deviation in AS to be justified by management and such justification to appear in financial statement as foot note.
8.28		Review appointment and removal of Chief Auditor and remuneration.
8.29		Ensure Audit committee is set up as per Companies Act having all functions as per Listing Agreement.