ANNEXURE 3

Non Mandatory Requirements

(a) Chairman of the Board

A non executive Chairman should be entitled to maintain a Chairman’s office at the company’s expenses and also allowed reimbursement of expenses incurred in performance of his duties.

(b) Remuneration Committee

i. The board should setup a remuneration committee to determine on their behalf and on behalf of the share holders with agreed terms of reference the company’s policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

ii. To avoid conflict of interest the remuneration committee which would determine the remuneration packages of the executive directors should comprise of at least three directors all of whom should be non executive directors the Chairman of the committee being an independent director.

iii. All the members of the remuneration committee should be present at the meeting.

iv. The Chairman of the remuneration committee should be present at the Annual General Meeting to answer the shareholder queries. However it would be up to the Chairman to decide who should answer the queries.
(c) Shareholders Rights

The half yearly declaration of financial performance including summary of significant events in the last six months should be sent to each household of shareholders.

(d) Postal Ballot

Currently although the formality of holding the general meeting is gone through in actual practice only a small fraction of shareholders of that company do or can really participate therein. This virtually makes the concept of corporate democracy illusory. It is imperative that this situation which has lasted too long needs an early correction. In this context for shareholders who are unable to attend the meetings there should be a requirement which will enable them to vote by postal ballot for key decisions. Some of the critical matters which should be decided by postal ballot are given below.

(a) Matters relating to alteration in the memorandum of associations of the company like changes in name, objects, address of registered office etc.

(b) Sale of whole or substantially the whole of the undertaking.

(c) Sale of investments in the companies where the share holding or the voting rights of the company exceeds 25%.

(d) Making a further issue of shares through preferential allotment or private placement basis.

(e) Corporate restructuring.

(f) Entering a new business area not germane to the existing business of the company.

(g) Variation in rights attached to class of securities.

(h) Matters relating to change in management.