



Proxy Advisory Guidelines FY 2017-18



Stakeholders Empowerment Services

To ensure that the voting recommendations made by SES are consistent, fair, transparent, Independent, and conflict-free, SES has developed a Proxy Advisory policy containing general principles and guidelines to be considered while analyzing resolutions put to vote at shareholders' meetings. This document contains the guidelines to be followed by SES analysts while making Proxy Advisory Reports as well as provides guidance to analysts on the report format and contents.

Stakeholders Empowerment Services

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CORPORATE ENGAGEMENT POLICY

Our Proxy Advisory Reports and recommendations are based solely on research conducted by us, using authentic and reliable publicly available information. We do not rely on any information available in public domain which is not authenticated by the concerned company or any Regulatory or Government Agency. In rare cases, we may rely on public information which is not authenticated by the concerned Company, however, in all such cases, we give full opportunity to the company to explain their position. We do not use information that is not in public domain. We encourage Companies to provide comprehensive and clear disclosure about the relevant issues for consideration by shareholders in a holistic manner without any asymmetry among the recipients regarding the timing and content of such disclosures.

SES will adhere to the following policy during the **black-out period**.

Black-out period is observed from the date of announcement of the meeting to the date of release of a report by SES. During this period, SES shall avoid any communication with the Company or its officers, unless SES requires some important clarification without which the content of the PA Report may not indicate the true and fair analysis.

SES may, in case it requires clarifications from a Company over an issue, reach out to the concerned company over email. Any such interaction will be adequately recorded for maintaining an audit trail, and the details of the interaction, (if any), will be disclosed to the stakeholders^[1] in the report.

Additionally, prior to releasing its Report, SES may wherever require, seek clarification from the Company regarding any disclosure made in the public domain. Companies will generally be given two working days to respond or such suitable timeline (based on the issue) as may be mentioned in the communication with the Company. In case the Company does not respond, SES reserves the right of forming its own opinion without any further attempts to elicit response.

Upon receiving the Company's comments, SES will publish the comments verbatim in the report (unless the Company's response contains any offensive or objectionable content in which case SES reserves the right to omit or suitably edit the response with due disclosure of such omission/edition). SES endeavors that entire communication be done over email. Record of such interactions will be maintained for an audit trail and disclosed in our Report to the Stakeholders. In extreme cases, SES may interact with the Company over phone to seek clarifications; however, SES would consider only those communication which are sent/clarified on the mail. No other channel of communication will be encouraged for the interaction. SES does not encourage meeting company representatives prior to the release of the report. However, in exceptional case(s), if the company representative(s) meets us, the same will be recorded in our report. All our terms and conditions relating to the meeting will be followed i.e. transparency, audit trail and no confidentiality conditions. Only matters that are in public domain and general governance best practices would be discussed in such a meeting.

Apart from the interactions listed above, no other contact will be established with the Company during the black-out period.

Post the release of the report, in case the Company poses a question on any of the issues raised by SES in the report, SES will make best efforts to respond to such queries.

If a Company updates its disclosures or notifies SES of an error or oversight in our report after the release of our report, SES will issue an addendum to the report, detailing interactions with the company and explain the nature of all revisions (if any) - including changes to our recommendations (if any) and notify Stakeholders via email of the revision. However, only queries or notifications made over email will be considered. Further, the right to

^[1] **Stakeholder:** A Stakeholder refers to a person or an entity that subscribe for Proxy Advisory Services of SES.

make such changes in the reports lies solely with SES and will be decided on case-to-case basis. SES will not change its recommendation if the Company provides new disclosures (which are not available to the shareholders at large) based on SES report, however, such new disclosure will be mentioned in the addendum. SES believes that the notice and initial communication by the Company (to the shareholders) should be self-sufficient for the shareholders to make an informed decision. SES will publish its reports well in advance of shareholder voting deadlines/ meetings ensuring that stakeholders have sufficient time to review our analysis including any revisions and make a voting decision well before the deadline/meeting.

SES as a policy, does not share its report with the concerned company prior to issuing the same to all the Stakeholders. This is primarily done to avoid any perceived influence. Once released to the Stakeholders, the report is shared simultaneously with the concerned company with full opportunity to them to express their opinion.

Further, outside the black-out period, SES may meet/discuss with any company to provide clarifications on the reports, guidelines or to learn more about specific aspects of the Company. However, SES would not charge any fee or claim remuneration for any such interaction from the Company.

SES does not provide consulting services to listed companies and avoids all “off the record” discussions with companies whether about pending proxy proposals or otherwise.

SES PROXY ADVISORY BROAD PRINCIPLES

SES gives overarching importance to major governance issues related to Fairness, Transparency, Disclosures, Related Party issues and impact on minority shareholders/ equitable treatment of all shareholders, while examining the matters placed before shareholders for their consideration (in addition to checking on legal compliance and ethical issues). In the guidelines, we have highlighted certain cases which directly/ indirectly deal with governance issues, and hence our recommendation is either **AGAINST** or left to the discretion of the shareholders in those cases. In all other cases (where we do not find any governance issue), we recommend the shareholders to vote **FOR** the resolution.

If a company does not provide the e-Voting facility, we recommend voting **AGAINST** all the Resolutions in the Notice of that general meeting, however, we still do the analysis of the Resolutions (on merits) based on our guidelines.

PRINCIPLE 1 – ACCOUNTS

SES' analysis of the resolutions for the adoption of accounts will be aimed at enabling shareholders to engage in meaningful discussions with the management during the AGM while approving the resolution. The focus of SES' analysis will be on applicability and integrity of Financial Statements, Related Party Transactions, deviations from Accounting Standards, Applicable Financial Reporting Framework, analysis of Auditors' Report including qualifications and adequacy of Board's responses thereto etc. SES may highlight major governance and accounting issues in the Auditors' Report and financial statements, (if any). SES may also discuss audit qualifications (if any) and evaluate boards' response or the management explanation to such audit qualifications. Further, SES will raise concern if the parent Company's Financial Statements are based on higher level of Accounting standards in terms of transparency & disclosures, than the Financial Statements of the Indian Listed subsidiary and recommends that such Financial statements be made using such higher standards of accounting policies. **Unless there are concerns about the integrity of the financial statements or reports, and such other concerns raised by the Auditors in their report, SES will not recommend voting against such resolution.**

PRINCIPLE 2 - DIVIDENDS

SES is of the opinion that payment of a dividend or conserving cash is a strategic decision best taken by the Board of the company keeping in view, the long-term goals of the Company. In the normal course, SES will recommend voting FOR the resolution. An exception may be made for cases where concerns over the Company's ability to pay the declared dividend are observed especially if the Company neither has cash nor the ability to pay such dividend(s) or contradicts Company's dividend policy and no reason for such deviation is provided.

PRINCIPLE 3 – AUDITORS

Auditors are the first level of protection for all stakeholders in general and for non-participative shareholders in particular. The Auditors owe a fiduciary duty to the shareholders especially the public shareholders. The Auditor's role is crucial in ensuring the integrity and transparency of the financial statements. Accordingly, SES is of the opinion that the Auditors should be independent, well-qualified, objective, unbiased and free from conflict of interests. Therefore, while analysing resolution(s) for the appointment of statutory Auditors, SES will consider factors such as compliance with law, kind of association/ affiliations with the Company/ promoters or management, tenure of association and engagement with the company that may prevent the Auditors from carrying out their duty in objective & independent manner.

In exceptional cases, based on analysis of Accounts, if SES finds that Auditors did not fulfill their role/ responsibility properly, SES would recommend a vote **AGAINST**.

PRINCIPLE 4 – BOARD COMPOSITION

SES is of the opinion that the boards should be independent and objective, have a record of efficient and effective performance, and have capable members with an in-depth experience and expertise in diverse fields. Ideally, Boards should have a majority of independent directors and have an independent Chairman. Therefore, SES' recommendations on the appointment of directors are aimed towards the formation of an independent, diverse and effective board. While analysing proposals for appointment/reappointment of directors, SES would also consider past performance of directors in respect of meetings attended by them, their time commitments considering their number of directorships, committee chairmanships and memberships, any non-compliance, frauds and regulatory actions against the Director and such other information disclosed in Board's report etc.

SES in its reports will also mention other issues related to the Board which is not specific to the appointment of a Director. Such issues include conditions affecting the independence of the Independent Directors due to long tenure or outstanding ESOPs, high remuneration to promoter Directors, the pecuniary relationship of the Directors and such other concerns which may affect the governance of the Company and affects the shareholders' value.

PRINCIPLE 5 – DIRECTORS' INDEPENDENCE

SES examines directors' relationship/ association (including tenure) with the Company, its promoters, its other directors, its senior management or its holding company, its subsidiaries and associates, to determine if there are relationships which may affect the independence/independent decision making of such directors due to conflicts of interest.

PRINCIPLE 6 – BOARD COMMITTEES

SES is of the opinion that the Board Committees are vital constituents in the governance structure of a Company and that such Committees (including the Audit Committee, Nomination & Remuneration Committee) should comprise of competent and qualified people with relevant experience and be sufficiently independent of the management, promoters and other related parties. Additionally, such committees should be empowered and have a well-defined role/mandate. As a good governance practice, the Company should have a rotation policy for members of the Committees, especially Audit Committee Chairman, and its members.

PRINCIPLE 7 – DIRECTORS' REMUNERATION

SES is of the opinion that the Companies should have remuneration policy that not only attracts and retains competent directors/executives but also motivates them to enhance the Company's long-term stakeholders' value. SES looks at the structure of the remuneration package, quality of disclosures, link between performance and remuneration, and overall compensation relative to peers while recommending voting action on directors'/executive remuneration. SES emphasizes that remuneration should be aligned with the performance of the individual as well as the performance of the Company. It must include performance related variable component of remuneration. Special focus is placed on skewness/ biases in remuneration practice(s).

PRINCIPLE 8 – STOCK OPTION PLANS

ESOPs are a useful tool for retaining employees and aligning their interests with that of the shareholders' interests. SES will evaluate the terms of such schemes and the quality of disclosures made by the Company while making voting recommendations. SES will analyse schemes for their objective and will be critical of any such scheme which aims to reward only selected few. SES will analyse any amendments in ESOPs, considering the fairness and impact of the proposed amendment.

PRINCIPLE 9 – RELATED PARTY TRANSACTIONS

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party. SES as a policy does not view a RPT *per se* bad unless it is an abusive transaction. SES will evaluate the quality of disclosures made by the Company, while making voting recommendations, without passing a value judgment on the transaction, unless *prima facie*, the transaction looks unfair. If disclosures made by the company explain the need for the transaction and appears to be at arm's length and fair in the interests of the Company and other shareholders, SES would recommend **FOR** such transaction.

PRINCIPLE 10 – CORPORATE ACTIONS

SES is of the opinion that corporate actions are entirely the prerogative of management and expects that the management must share its perspective on all corporate actions with shareholders in a transparent manner. SES evaluates such proposals on a case-by-case basis. SES expects companies to provide a specific and detailed rationale for such proposals. While SES may analyse the merit/ adequacy of the rationale, check compliance of the disclosures with regulatory requirements, transparency regarding the resolution and analyse governance issues (if any) in the proposal, SES will place special emphasis on related party issues (if any). SES, in cases of sale of asset/business/mergers, will consider the disclosures provided in the valuation Report and Fairness Opinion with regard to the monetary value of such assets/business and the manner of computing the Valuation. In the normal course, SES will recommend voting **FOR** the resolution, unless specific issues are identified. However, SES may recommend voting **AGAINST** resolutions that effectively provide unlimited authority to the Board to act at its discretion, as it dilutes the authority of the shareholders of the Company.

SES POLICY ON PUBLIC SECTOR UNDERTAKINGS (PSUs) WITH NON - COMPLIANT BOARD

SES has observed that most of the PSUs do not comply with the applicable requirements of the Companies Act, 2013 in their entirety. The Board of PSU Companies, Audit Committee and Nomination and Remuneration committee does not have required number of Independent Directors and hence, are non-compliant with the law. SES in such cases recommends that shareholders vote AGAINST all the resolutions seeking appointment/re-appointment of Executive/Non-Executive Non-Independent Directors, Approval of remuneration of Cost Auditors. Further, it is observed that some PSU Companies appoint IDs but for an uncertain term or such term as desired by the Government of India i.e. the promoter of the Company. In such cases, SES recommends shareholders to vote AGAINST such resolutions as such a condition not only vitiates Independence of the Directors but also seeks a blanket approval from the shareholders.

SES understands that recommending a vote AGAINST these resolutions if successful, can result in disruption of operations. The objective of SES is to bring about improved governance and not to disrupt operations. SES wishes to achieve good governance through engagement by shareholders and without disruption as SES is the view that a lot of value could be lost due to disruption. SES recommends AGAINST in such cases not on the basis of the merit of Directors, Auditors or Cost Auditor but due to non-compliance and inadequate disclosures by the Company. SES is of the opinion that a non-compliant board raises a question mark overboard oversight mechanism and the Independence of decision-making of the board. A negative vote by minority shareholders will not disrupt operations as a vote of majority shareholders (Promoters) would certainly re-elect these Directors/Auditors but strongly convey the dissatisfaction of investors. PSUs should set a higher benchmark with respect to corporate governance practices so that other Companies follow them.

PRINCIPLE 1: APPROVAL OF ACCOUNTS

SES is of the opinion that analysis of adoption of accounts is an integral part of financial analysis. Therefore, detailed analysis of accounts is not within the scope of SES' work. SES' analysis will be aimed at enabling shareholders to engage in meaningful discussions with the management over the Company's accounts. Unless there are concerns about the integrity of the financial statements or reports or serious governance issues, SES in normal course will not recommend voting AGAINST such resolutions.

KEY CONSIDERATIONS

1. Audit qualifications (if any)
2. Auditors' comments
3. Structural shifts in key financial indicators and the disclosures made by the management to explain the shift if the variation is >25%.
4. Exceptional write offs by the Company for which the management has not provided satisfactory explanation.
5. Exceptional spending by the Company and proper disclosure on the timing/need of such spends by the Company.
6. Related Party Transactions including loans, receivables and royalty payments and the trends observed therein vis a vis requirement of Listing Regulations and Companies Act, 2013.
7. Contingent liabilities and impact of contingent liabilities, important legal cases by and against the Company, on the Company (Not applicable in case of Banks and NBFCs)

PRINCIPLE 2: DECLARATION OF DIVIDEND

SES is of the opinion that the option of paying dividend or conserving cash is a strategic decision, which is best taken by the Board of Directors of the Company, keeping in view the growth plans and long-term goals of the Company.

SES is of the opinion that the Board is responsible for the future plans of the Company and therefore, is in the best position to decide the amount of profits to be retained for future use and the amount of profits to be distributed as dividend. Therefore, SES would normally recommend voting FOR the resolution declaring dividend (as the intrinsic shareholders' value is the same), unless strong reasons are found (like Company has defaulted in servicing its debt obligations for more than a year). However, SES does expect companies to have consistent dividend payouts (based on a publicly disclosed policy) and explain any deviations from the historical dividend pay-out policy to the shareholders.

SEBI vide Regulation 43A to the Listing Regulations, has mandated disclosure of dividend distribution policy on website and Annual Report for Top 500 Companies by market capitalization (as on 31st March, 2016 for FY 2016-17 or the relevant year ending), SES is of the opinion that as a good governance policy, all the Companies should disclose their dividend policy. If the Company has not provided dividend policy in its Annual Report and Website where it is mandated to do so, SES will raise concern in its report.

However, SES will refer to the key considerations while analyzing the resolution on declaration of dividend and would raise a concern on a case to case basis, if so required.

KEY CONSIDERATIONS

1. Consistency of dividend payment
2. Capacity to pay the dividend
3. Disclosure of Dividend Distribution Policy of the Company and whether the dividend payout is as per its stated Policy or not.

PRINCIPLE 3: AUDITORS' APPOINTMENT

Auditors play a crucial role in ensuring the integrity and transparency of the financial statements, which is necessary for protecting shareholders' value. Auditors have a duty towards all stakeholders, to bring to their notice; instances of non-compliance, any non-standard accounting practice or any other aspect of the accounts which could adversely affect stakeholders. Stakeholders rely on the auditors to do a thorough analysis of the Company's accounts to ensure that the information provided is complete, accurate, fair, and is true representation of the Company's financial position.

SES is of the opinion that keeping in view the important role played by the Auditors, an independent Auditor effectively strengthens the hands of board in discharging its duty towards shareholders and reducing risks. Accordingly, we believe that the Auditors' should be independent, well-qualified, objective, unbiased and free from conflict of interests.

SES will keep in mind provisions of the Companies Act, 2013, RBI Regulations and other applicable provisions in the matter regarding tenure and independence of Auditors.

KEY CONSIDERATIONS

1. Tenure of Auditors
2. Certificates obtained from the Auditors for:
3. Proportion of the Non-Audit Fee to the Total remuneration paid to the Auditors.
4. Do the Auditors have any financial interest in or association with the Company which may lead to conflict of interest situations?
5. Have material unaudited financial statements been used by the Company for consolidation (definition of material same as that in the Listing Regulations)?
6. Did the Auditors attend the last AGM?
7. Has the Company disclosed the name of the Auditors up for reappointment?
8. Has there been any recent material restatement of financial statements, including those resulting in the reporting of material weaknesses in internal controls?
9. Auditors not appointed on the recommendation of the Audit Committee/ The Company has not disclosed whether the Auditors are appointed on the recommendations of the Audit Committee
10. Statutory Certificates/ prescribed condition for appointment of Auditors not disclosed in the Notice/ Annual Report

APPOINTMENT OF AUDITORS AT PSU

Since, the Auditors at PSUs are appointed by CAG, a constitutional body appointed under Article 148 of the Constitution of India, SES will recommend voting FOR the resolutions for appointment of Auditors at PSUs, if appointed on recommendation of CAG provided that the disclosures made by the Company are adequate and the Board/ Audit Committee of the Company are compliant with the statutory requirements and SES does not discover shortcomings of audit process.

APPOINTMENT OF AUDITORS AT BANKS

Since, the Auditors at Banks are appointed by RBI (a Regulator), SES will recommend voting for the resolutions for appointment of Auditors at Banks, if approved by RBI provided that the Board/ Audit Committee of the Company are compliant with the statutory requirements. However, SES would recommend that Auditors be appointed in Bank for a term of 4 years at one go, instead of seeking fresh appointment at every AGM.

RATIFICATION OF REMUNERATION OF COST AUDITOR

Cost Auditors play a crucial role in ensuring the integrity and transparency of the Cost Accounts of the Company.

The Cost Auditors are appointed by the Board on the recommendation of the Audit Committee, SES will check the Independence and composition of the Audit Committee with regards to the resolution. Further, SES will check if the Company has made proper disclosures with regards to name/audit fee of the cost auditor.

KEY CONSIDERATIONS

1. SES will consider following to be provided by the Company while analysis the resolution for Cost Auditor:
 - a) Name of the Cost Auditor(s)
 - b) Audit fees to be paid to each Auditor
2. Compliance of the Audit committee/Board of the Company.
3. Approval sought for ratification of remuneration of Cost Auditor for the previous year.

APPOINTMENT OF BRANCH AUDITORS

As per Section 143(8) of the Companies Act, 2013, accounts of the branch offices have to be audited either by the Statutory Auditors or by Branch Auditors appointed under Section 139 of the Companies Act, 2013.

SES would recommend voting **AGAINST** the appointment of the Branch Auditor if the Company does not disclose the name of the Branch Auditor in the resolution. However, in case of a Bank, as the same is regulated by RBI, therefore, SES may not raise any concern.

SES will analyze the resolution regarding appointment of Branch Auditors on the basis of disclosures i.e. name of the Auditor, tenure of the Auditors, term of appointment of such auditors etc.

If SES is able to find the association of Branch Auditor with the Company, then the recommendation will be based as per SES policy applicable for Statutory Auditors. If SES is not able to find such association, then SES will recommend **FOR** the resolution given that Company has provided proper disclosures and is appointing the Branch Auditors as the terms of Section 139 of the Companies Act, 2013.

REMOVAL OF AUDITORS

Considering the critical role played by auditors in maintaining the integrity of the financial reporting process, SES is of the opinion that any resolution proposing to remove auditors should be backed by adequate rationale and disclosure. Further, the procedure laid down in the Companies Act, 2013 in this regard should be strictly adhered. SES would analyze the disclosure and recommend vote on the proposal on a case-by-case basis.

PRINCIPLE 4-6: DIRECTORS' APPOINTMENT

Directors are custodians of stakeholders' interests. They help shape a Company's strategy and steer the Company forward. SES is of the opinion that to drive performance of the Company and create shareholders' value, boards should be independent, competent with proper leadership, have a record of positive performance, and have members with varied/considerable knowledge and experience. Ideally, boards should have a majority of Independent Directors (including an Independent woman director) and an Independent Chairman. Further, SES supports board diversity (including gender diversity). Therefore, our recommendations on Directors' appointment are geared towards formation of an Independent, diverse and well performing board. Directors' appointment is one of the mandate of Nomination and Remuneration Committee.

Wilful Defaulter: If anyone has been declared wilful defaulter as per definition of RBI, in that case SES would recommend the shareholders vote AGAINST regardless of any other factor howsoever compelling the same may be.

NON-EXECUTIVE DIRECTORS

Non- Executive Directors (NEDs) i.e. Independent NEDs and Non- Independent NEDs of a Company do not participate in the day-to-day management of the Company. Their participation is limited to board meetings and Committee meetings. At times, they may be assigned some specific tasks which do not conflict with their roles.

Certain Non-Executive Directors are classified Non-Independent either due to their association with the promoter group or because they have been associated with the Company either in executive role or as former promoter or are related party.

Independent Non-Executive directors are those directors, who apart from receiving directors' remuneration, do not have any material or pecuniary relationship with the Company, its promoters, its directors, its senior management or its holding Company, its subsidiaries and associates, which may affect Independence of such Directors. SES is of opinion that such relationships, if any, may make it difficult for a Director to put shareholders' interests above personal or related party interests.

SES is of opinion that the Board of Companies should have at least 1/3rd or half of the Board as Independent Directors, as the case may be. Therefore, SES will analyze the impact of appointment/reappointment of Non-Independent Directors on the basis of the impact of the appointment on the Board Composition.

KEY CONSIDERATIONS

In case the Company does not have a Nomination & Remuneration Committee, all guidelines normally applicable to the Chairman of the said committee would apply on the Chairman of the Board.

Additionally, SES would recommend the following, as an example of good governance practice:

- Committee memberships of the Director
- Committee Chairmanships of the Director
- Chairman of the Board of listed companies

SES will further analyze the remuneration of the Non-Executive Directors and will check the following:

- Amount of remuneration vis-à-vis the operations of the Company
- Remuneration of director of the peer Companies
- Variable pay and its linkage with the operations of the Company
- Remuneration paid to the director vis-à-vis other directors within the Board

SES will consider the following points in case of appointment related to Independent Directors:

- Aggregate tenure of the individual with the Company or that with the Group Companies
- No. of equity shares of the Company held by the individual.
- No. of Stock Options held by the Director

EXECUTIVE DIRECTORS

SES will broadly consider five criteria i.e. time commitments, remuneration, board composition, attendance, and directors' evaluation as appended in the Report, for analyzing resolutions related to appointment of an Executive Director.

In cases where SES recommends AGAINST the appointment of the ED/MD of the Company due to a concern regarding disclosure/excessive remuneration package (and not regarding his profile/appointment), SES would recommend that the Company as a good governance practice should split the resolution in two parts in the future – one for seeking appointment of the Director and other for approval of his remuneration. In case the resolutions are split – SES will recommend to vote FOR the appointment of the Director (if no other concern has been identified) and would analyse the resolution regarding the remuneration package separately.

As per Section 197(3) of the Companies Act, 2013 if the Executive Director to be appointed has attained the age of 70 years then, consent of shareholders must be obtained by way of a special resolution along with adequate justification in this regard. SES is of the view that the compositions of the Board should be a mix of young and experienced personnel's. Such a practice ensures that the Company has a succession plan in place. Although, SES will not recommend AGAINST voting the resolution of ED above 70-year age if no other concern has been identified, however SES will raise such concerns in its report if the Company has not given a detailed explanation for appointing an ED above 70 years of age.

If the Chairman of the Board, Nomination & Remuneration Committee is a non-independent director, SES will recommend that the Company should appoint an independent director as the Chairman of the Board/Committee, as the case may be.

If an executive director is a member of the Audit Committee, SES would recommend that the director should give up his membership of the Committee to avoid conflict of interest issues.

PRINCIPLE 7: DIRECTORS' REMUNERATION

SES is of the opinion that remuneration is an important tool to motivate and engage the management and the Board of the Company. While recognizing that fixing remuneration is prerogative of board however, SES believes that Remuneration should not only be commensurate with the efforts but should be aligned with the performance of the Company also. Further, remuneration should be such that it channels the energy of employees/directors on long term value creation for all stakeholders of the Company and discourages excessive/unnecessary risk taking. In nutshell remuneration should be fair, reasonable and commensurate with qualification experience and efforts.

REVISION IN EXECUTIVE DIRECTOR'S REMUNERATION (NOT APPLICABLE TO PSUs)

The Remuneration for executive directors of the Company should comprise of fixed and variable performance-based pay, with **greater percentage** allocated to performance-based pay. Accordingly, as a good governance practice, the Company should enlist the performance criteria for the employees/ directors for the payment of proposed remuneration and incentivize the employees/ directors to continue with the company. To align remuneration with long term performance of the Company, such performance criteria should be on a multi-year basis.

SES will analyze the past remuneration paid to the Promoters and Non-Promoter Executive Directors and in case of asymmetry in their remuneration, SES will recommend AGAINST further increase in Director's remuneration.

KEY CONSIDERATIONS

1. Is the remuneration given to the director excessive?
2. Does the Company have an independent remuneration committee to oversee the executive remuneration process?
3. Does the Board have the discretion to change terms of appointment / remuneration without shareholder approval?
4. Does the remuneration paid to executive directors include performance-based pay?
5. Remuneration has increased in a year in which the company has made losses, defaulted on debt obligations, underwent a CDR or defaulted in payment of statutory dues (not applicable in case the Company has appointed as new director for turnaround).
6. Attendance of director in Board / Board Committee meetings
7. Remuneration package structure
8. The Company has not disclosed all the elements of remuneration package such as salary, benefits, bonuses, stock options, pensions etc., in CG report/ Performance criteria not disclosed in CG report/ Not Disclosed service contracts, notice period, severance fees/ Stock Options Details
9. Two or more Director's receive exact/near same remuneration (SES is of the view that in such cases the remuneration may not be linked to the performance and experience of the individual)
10. The Company seeks approval for minimum remuneration for a period of more than 3 years.

NON-EXECUTIVE DIRECTORS' COMMISSION

SES is of the opinion that commission payable to non-executive directors should have an absolute cap on amount (overall or otherwise) and the Company should clearly disclose objective criteria which will be used to determine the actual commission to be paid to the non-executive directors within the cap. The Company should not grant ESOPs or other equity-based remuneration to independent directors not only because it is prohibited by law, but also to maintain their independence/objectivity, and to promote long term value creation for shareholders.

REMUNERATION TO INDEPENDENT DIRECTORS

If the Company proposes to remunerate an independent director for any professional services (apart from board service) provided by the director to the Company, SES will recommend voting AGAINST the resolution. Further, SES would also recommend against the appointment of IDs who are holding or has converted their ESOPs into shares having market value in excess of ₹ 5 crores.

REMUNERATION TO NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

If the Company proposes to pay remuneration to any non-executive director for any additional service provided by the director to the Company, SES will make recommendations on a case-by-case basis after analyzing the provisions of the Companies Act, 2013 as well as the terms of payment of such remuneration (whether the remuneration being paid is one-time event or it is recurring), quality of disclosures and the following:

1. Qualification/expertise of the Director vis-à-vis service provided by the director to the Company and the time committed by the director for the said service
2. Remuneration paid to the director for the service and the fairness of the remuneration, including its comparison with remuneration paid to other directors of the Company
3. Whether the services rendered by such director is of executive nature
4. Will the total remuneration breach ceiling of maximum remuneration payable under Companies Act, 2013

However, if such remuneration is paid to a Promoter NED, SES will recommend AGAINST such proposal. SES is of the opinion that professional service taken from promoter NEDs will lead to conflict of interest. SES is of the view that the Company should seek professional services from Independent professionals other than from promoters to avoid conflict of interests. Even if the Company feels that the promoter is an industry veteran and no better professional is available to provide such services, the Company should provide adequate justification and the selection process for the same.

WAIVER OF EXCESS REMUNERATION

SES would analyze such proposal(s) on the basis of justification(s) provided by the Company and make its recommendations on a case to case basis. If the excess remuneration includes any variable pay and total remuneration is not within Schedule V of the Companies Act, 2013 (enhanced limit after passing special resolution) or proper disclosure is not made, SES will recommend voting AGAINST the resolution.

PRINCIPLE 8 – EMPLOYEE STOCK OPTIONS SCHEME

ESOPs are useful for retaining employees and aligning their interests with shareholders' interests. SES will evaluate the terms of the scheme and the quality of disclosures made while making voting recommendations. SES will analyze any amendment(s) in ESOPs taking into account the fairness and impact of the proposed amendment.

APPROVAL OF ESOP SCHEME / RATIFICATION OF PRE-IPO SCHEME

SES will look at the disclosures made by the Company to judge compliance with the SEBI ESOP guidelines, potential dilution to shareholders due to the scheme and the fairness of the exercise price.

ESOP REPRICING

Shareholders have substantial risk in owning stocks, and SES is of the opinion that the employees who receive stock options should be similarly positioned to align their interests with shareholder interests. SES is of the opinion that the safety net provided by re-pricing of stock options may incentivize management to take unjustifiable risks. Additionally, a predictable pattern of option re-pricing by the Company alters the option's value because such options will practically never expire out of the money.

GENERAL RECOMMENDATION GUIDELINES

SES may recommend voting AGAINST proposal seeking approval to re-price existing ESOP schemes of the Company, unless specific and detailed justification is provided.

EXCEPTIONAL CASES

SES may make vote FOR proposals to re-price ESOPs in case the Company's stock declined dramatically due to macroeconomic or industry trends rather than Company specific issues and adequate justification is provided by the Company. We will compare the stock performance vis-a-vis broad and sectoral benchmarks to determine if the cause of the crash was Company specific or not.

In case the fall is due to macroeconomic or industry trends, SES may recommend shareholders to vote FOR the proposals only if the following conditions are satisfied:

1. Directors and Executives do not participate in the re-pricing
2. Adequate justification is provided by the Company on why the company performed poorly
3. A black-out period should be included, and options should start vesting only after the end of the black-out period
4. Other terms of ESOP (except the option price) should remain unchanged
5. The new option price is not at a discount to the market price
6. Vested portion of ESOPs granted should not be re-priced
7. Number of re-pricings done in the last 5 years

Additionally, SES may recommend voting FOR the proposal for ESOP re-pricing if the same is justified due to a corporate action that has had an impact on the market price of the Company.

PRINCIPLE 9: RELATED PARTY TRANSACTIONS (RPTs)

SES agrees that RPTs are areas of Board oversight and SES as an outsider may not be in a position to question the business prudence of such transactions. Therefore, SES will evaluate the quality of disclosures made by the Company, while making voting recommendations, without passing a value judgment on the transaction, unless *prima facie*, the transaction looks unfair. SES' analysis will be aimed at the disclosure aspects of RPT in the notice of AGM/EGM/PB as well as independence of Audit Committee and Auditors. Unless there are concerns about the impact of RPT on shareholders' value (net worth), fairness issue of the proposal, disclosure aspects of RPT or the resolution allows the Company to involve in RPT for perpetuity, SES will not recommend voting **AGAINST** such resolutions. In nutshell, SES shall look for abusive nature of transaction or lack of disclosure/ rational to oppose RPTs.

Listing Regulations, 2015 require all RPTs to have prior approval of Audit Committee, either singularly or through an omnibus approval which will be valid only for a period of 1 year. The material RPTs must be approved by the non-related shareholders (by ordinary resolution). Further, the RPTs between 2 PSUs and between a parent company and its wholly owned subsidiary are exempted from approval of shareholders, by the Listing Regulations.

KEY CONSIDERATIONS

1. Disclosure in the resolution/ explanatory statement of the notice of AGM/EGM/PB.
 - a) Name of the Related Party
 - b) Name of the Director or Key Managerial Personnel who is related, if any
 - c) Nature of Relationship
 - d) Nature, Duration of the contract and particulars of the contract or arrangements
 - e) The material terms of the contract or arrangement including the monetary value, if any
 - f) Any advance paid or received for the contract or arrangement, if any
 - g) The manner of determining the pricing and other commercial terms, included as part of contract (Valuation Report/ Fairness Report)
 - h) Any other information relevant or important for the members to take a decision on the proposed resolution
 - i) Impact of transaction on the Company's financials
 - j) Reason for entering into transaction including justification for the same
2. Audit qualifications (if any) related to the entity with which transaction is taking place
3. Audit Process
4. Other issues that SES may highlight
5. Conflict of interest issues.

PRINCIPLE 10.1 – INTERCORPORATE LOANS/ GUARANTEES/ INVESTMENTS

SES is of the opinion that making investments/ guarantees/ loans is a business decision best taken by the Board. For such proposals, SES will analyze the disclosures to determine the need for the proposal and examine transparency of disclosures and fairness of the proposed transaction. SES will evaluate all proposals for intercorporate loans/ guarantees and/or investments on a case-by-case basis. Transactions with related parties (especially promoter-controlled companies) will attract additional scrutiny. As per Section 186 of the Companies Act, 2013, the scope for investment and loan is not only limited to inter corporate loans and investment but is also extended to include to any person.

KEY CONSIDERATIONS

1. Examine and evaluate ability of company to sustain such transaction. Examination will include quantum of proposed transaction vis a vis current financial health of the Company such as Debt-Equity ratio, current ratio and cash flow, fixed assets etc., (to judge whether the Company has the financial capacity to give the loan/guarantee or make investment)?
2. Financial health of the recipient (to judge whether the recipient would be able to repay the amount)?
3. How is the Company going to fund the proposed transactions?
4. Is the amount proposed disproportionate?
5. Management's rationale for entering the said transaction
6. If the loan is being made to an unlisted Company, are other shareholders making a pro-rata contribution to the proposed transaction?
7. Objective and Benefits of such transactions
8. Has the Company written-off any transaction with the entity?
9. Financial health of the Company post transaction/ Impact of transaction on Company's financials such as profit etc.

PRINCIPLE 10.2 – SCHEME OF ARRANGEMENT/ AMALGAMATION

SES will review and evaluate the merits and drawbacks of the proposal on a case by case basis. Our recommendations will focus on the fairness and transparency of the proposed scheme.

SES as a policy will recommend voting AGAINST the scheme of arrangement if the Company has not provided e-voting in the CCM (no concern if it is provided in the Postal Ballot).

KEY CONSIDERATIONS

1. Disclosures
2. Strategic rationale for the scheme
3. Valuation of the deal
4. Financial impact of the deal
5. Conflicts of interest
6. Impact on minority shareholders
7. Are there any governance/ fairness issues in the deal?
8. In case of allotment of shares only to a select group of shareholders or shareholders of unlisted companies pursuant to such schemes, has the Company followed the pricing provisions of Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009?
9. Would the proposed scheme lead to a change in control at the Company?
10. Has the Company disclosed key financials of all the entities involved in the transaction?
11. Have the requirements of SEBI Circulars on Scheme on Arrangements been complied with?
12. Has the Company made adequate disclosure relating to financial details of its Wholly Owned Subsidiary, while merging the same within itself.

PRINCIPLE 10.3 – CORPORATE ACTIONS

A. STOCK SPLIT

In general, SES will recommend voting FOR a stock split if it meets regulatory requirements and if the historical share price is in a range where a stock split would enhance liquidity.

KEY CONSIDERATIONS

1. Company's justification for the stock split
2. Trends in the historical pre-split stock price
3. Whether the stock is currently quoting below par

B. SHARE BUY-BACK

A share buy-back plan is often used by the Company to increase the company's stock price, to distribute excess cash to shareholders, or to offset dilution of earnings caused by the exercise of stock options.

SES would do an objective analysis and present the correct picture to the shareholders including potential dilution/potential increase in Promoters shareholding and recommend based on other governance issues and regulatory disclosures as well.

SES in normal course would recommend voting FOR the proposal however, could deviate from the policy on case to case basis especially if there is a disproportionate increase in the promoter shareholding.

KEY CONSIDERATIONS

1. Company's justification/ objective for the buy-back (Check Compliance with SEBI & Companies Act, 2013)
2. Is the ratio of the aggregate of secured and unsecured debts owed by the company after buy-back more than twice the paid-up capital and its free reserves?
3. Has the Company made another buy-back in the preceding one year?
4. Has the Company issued any securities in the last 6 months (except bonus issue, ESOP, conversion of warrants, preference shares or debentures)
5. Shareholding pattern of the Company
6. Financial position of the Company

C. CAPITAL REDUCTION

SES in normal course of business would recommend voting FOR proposals for capital reduction unless specific governance issues are identified, and the Company has not defaulted in repayment of deposits. Is the capital reduction uniform to all shareholders or it differentiates between same class of shareholders?

D. DEBT RESTRUCTURING

SES in normal course of business would recommend voting FOR proposals for recapitalization plans unless specific governance issues are identified.

E. VARIATION IN TERMS OF USE OF IPO/FPO PROCEEDS

SES will analyze such resolutions on a case by case basis. SES expects the Company to disclose a strong justification for such proposals including how the change in use of IPO/FPO proceeds may benefit the shareholders of the Company.

F. INCREASE IN BORROWING LIMITS

The Companies Act, 2013 allows companies to borrow up to a limit of aggregate of its paid-up share capital and free reserves. However, the company may intend to increase its borrowing limits for various purposes, which

may or may not be strategic in nature. SES in normal course would recommend voting FOR proposals for increasing borrowing limits unless specific governance issues are identified. Highly leveraged companies and companies increasing their borrowings by over 50% would attract additional scrutiny. Analysis will focus on existing limits, unutilized limits, capability to sustain increased borrowings, objective for fresh borrowing and impact on financials.

If the increase in borrowing limits is related to a CDR package, SES would generally recommend voting FOR the resolution unless specific governance issues are identified.

G. ISSUE OF NON-CONVERTIBLE DEBENTURES

Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provide that a company which intends to make a private placement of its Non-Convertible Debentures ('NCD'), shall, obtain approval of its shareholders by means of a special resolution. It shall be sufficient if the company passes a special resolution only once in a year for all the offers or invitations for such non-convertible debentures during the year.

Generally, Companies as an enabling provision seek approval for issuance of NCDs from shareholders by providing generic reasons. In such cases, SES would analyse the resolution on a case to case basis and if the amount so proposed to be borrowed by way of NCDs is substantial considering the size and operations of the Company, then, SES would recommend AGAINST issuance of such NCDs. However, if the Company provides specific reasons in support of issuance of NCDs, then, SES may not raise any concern.

KEY CONSIDERATIONS

1. Compare current borrowings versus existing and proposed borrowing limits
2. The Company has high cash balance and the Company is debt free and has not disclosed any usage
3. Disclosure on the broad purposes for the proposed increase and whether the purpose is aligned with business objectives of the company. If not, whether the management has disclosed reasons for the strategic shift.
4. Has the Company defaulted on any of its current debt obligation? Has the company undergone a debt restructuring?
5. Whether the amount borrowed by Banks/ Financial Institutions in the past, been utilized for the purpose for which it was raised.
6. Potential increase in debt equity ratio and comparison of the ratio with peers
7. Are there large loans to related parties other than 100% subsidiaries? Have they increased recently?
8. Amount of borrowing is not consistent in the resolution and explanatory statement of the Notice i.e. amount of borrowing proposed differs
9. Impact on cash flow and capability to sustain and service the borrowing

H. CREATION OF SECURITY/ MORTGAGE OF PROPERTY TO SECURE BORROWINGS

SES will recommend voting on such proposals on a case-by-case basis.

KEY CONSIDERATIONS

If the resolution is linked with a corresponding resolution seeking an increase in borrowing limits, SES will recommend voting FOR the resolution only if SES recommends voting FOR the resolution seeking an increase in borrowing limits.

I. SALE OF ASSETS/BUSINESS/UNDERTAKING

Since sale of assets/business is a strategic decision best taken by the Board, SES in normal course of action, will recommend voting FOR such resolutions unless specific governance issues are identified. Sale to a related party will attract additional scrutiny.

KEY CONSIDERATIONS

1. Need and justification for sale.
2. Identification of assets being sold.
3. Fair valuation of the asset (independent fairness opinion/ ID opinion on sale) and its disclosure.
4. Price of the sale.
5. Details of the buyer – relationship with promoters (if any).
6. Material nature of the assets/ business being sold (25% of the net block or 25% of revenues).
7. Impact on turnover, profits and working capital.
8. Anticipated use of funds.
9. Conflicts of interest (Consider RPT issues as well).

PRINCIPLE 10.4 – ISSUE OF SECURITIES

SES is of the opinion that proper capitalization allows a company to efficiently take advantage of business opportunities and effectively operate as a business. SES is of the opinion that such issues are best left to the judgment and discretion of the Board. However, issuing an excessive number of additional shares and/or convertible securities to investors other than existing shareholders can potentially dilute holdings of the existing shareholders. Therefore, SES is of the opinion that companies should seek shareholder approval to justify their raising funds and its use from issue of additional shares rather than seeking a blanket authority in the form of discretionary powers to issue shares or convertible securities as the Board deems fit.

ISSUE OF SECURITIES

SES will look at proposals to raise equity on a case by case basis. In normal course of business, SES will recommend voting AGAINST proposals that seek blanket approval for issuance of securities without giving adequate justification for the same.

PUBLIC ISSUES

SES as a principle opposes all omnibus resolution relating to public issue. However, in case of omnibus approval for follow on/ Further Public Issue (FPO), as resolution for FPOs is monitored by SEBI, SES will generally recommend voting FOR such resolutions unless any other governance issues are noticed. Further, SES expects the Company to disclose adequate rationale for raising capital and the potential change in the shareholding pattern of the Company post the issue.

PREFERENTIAL ISSUE

SES in the normal course of action will recommend AGAINST proposals for preferential issue and/or private placement of shares and/or convertible securities due to their dilutive effect on other shareholders unless compelling justifications for the issue has been disclosed by the Company such as the investment is being made by a Strategic investor which appear to be positive for the Company.

KEY CONSIDERATIONS

1. Objective and justification of the issue including urgency of fund requirements.
2. All disclosures as specified in the SEBI-ICDR regulations have been made.
3. Dilution of existing shareholders' position (Post conversion dilution for convertible securities).
4. Identity the allottee and any change in control issues.
5. Conflicts of interest (including RPT considerations).
6. Has the allottee sold any equity shares of the issuer during the six months preceding the relevant date?
7. Whether the issue is being made to promoters or strategic investors?
8. Securities being issued – shares / convertible securities / warrants.
9. Has the Company made a buy-back of equity shares 1 year before the issue of securities?
10. In case of Banks, SES shall also consider the present CRAR requirements along with the growth in NPAs and Advances.

BONUS ISSUE

SES in normal course of business will recommend FOR proposals for bonus issues unless specific issues are identified. SES may recommend voting AGAINST such resolutions if the Company is such issue is not in compliance with the law or if:

1. The Company has defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it.
2. The Company has undergone debt restructuring.
3. The Company has defaulted in respect of the payment of statutory dues.

ISSUE OF PREFERENCE SHARES

SES in normal course of business may recommend FOR proposals for issue of preference shares unless specific issues are identified. SES will specifically look into the financial position of the Company and its ability to pay regular dividends to the preference shareholders.

KEY CONSIDERATIONS

1. Objective of the issue.
2. Financial performance of the Company (ability to pay dividends to the preference shareholders).
3. Whether the Company has defaulted on any debt obligation / undergone debt restructuring?
4. Company's leverage ratio compared to peers.
5. Whether the preference shares are redeemable or not. Redemption period should not exceed 20 years?

ISSUE OF SHARES WITH DIFFERENTIAL VOTING RIGHTS

In case of an equity issue of shares with differential voting rights, SES will analyze the differential rights given under the said issue, along with the other considerations as specified above on a case to case basis.

ALTERATION IN MOA/ AOA

SES will evaluate proposed amendments to a company's articles of association or memorandum of associations on a case-by-case basis. SES does not support bundling of several amendments into a single proposal, unless all such modifications are being made due to a single event/change. In case several amendments are bundled into a single resolution, we will analyze each amendment individually. We will recommend voting for the proposal only if no issue is identified in any of the proposed amendment. Additionally, we will provide voting advice on each individual amendment in case the Company decides to hold individual voting for each proposed amendment.

GENERAL CONSIDERATIONS

In case the changes in AoA/ MoA have been necessitated due to a transaction/ proposal on which SES has provided a FOR recommendation, SES may recommend a FOR vote for all the proposed changes, even if the said changes have been bundled into a single resolution.

In case the amendments have been necessitated by a regulatory change, we may recommend voting FOR the proposed changes even if the said amendments have been bundled into a single resolution.

In case the Company does not disclose the alteration proposed to be made in the AoA/MoA, SES will recommend that shareholders vote AGAINST the resolution.

As a good governance practice, SES will recommend the Company to present a comparative analysis between the existing AoA/MoA and the proposed one. If the Company does not present the comparative table, although it has presented the entire draft of the new AoA/ MoA, SES will recommend the shareholders to vote AGAINST the resolution.

CHANGE IN "OBJECTS CLAUSE"

SES will analyze proposals to modify the objects clause of the Company on a case-by-case basis.

KEY CONSIDERATIONS

If the proposed new business is in line with the existing businesses of the Company, SES will recommend voting FOR the resolution

If the proposed new business is not aligned with the existing businesses of the Company, SES expects the Company to provide adequate rationale for entering the new business. In such cases, SES will make recommendations based on the analysis of the Company's rationale.

SES will not make any comment on the feasibility/potential profitability of the proposed business nor will it endorse the business decision taken by the Company.

CHANGE IN AUTHORIZED CAPITAL

Having adequate capital is important to a Company's operations. Resolutions to increase authorized capital are normally enabling resolutions. In normal course of business, SES may recommend voting FOR the proposals to increase authorized capital.

CHANGE IN NAME OF THE COMPANY

SES will recommend voting FOR proposals to change company names unless there is compelling evidence that the change in company name would adversely impact shareholders' value or is misleading.

KEY CONSIDERATIONS

1. Is the proposed name consistent with the Company's brand? Would the change in name result in loss/gain in brand value?
2. Do the names sound similar to other successful Companies?
3. Is the name aligned with the objects of the Company?
4. Has the Company taken a certification from the registrar of companies that the proposed name is available?
5. Has the company changed its name in last one year?
6. Is the suggested name in compliance with SEBI guidelines on the same?

CHANGE IN QUORUM REQUIREMENTS

SES will recommend voting AGAINST proposals to reduce quorum requirements for shareholder meetings unless compelling reasons to do the same are disclosed by the Company.

CHANGE IN REGISTERED OFFICE OF THE COMPANY

SES will recommend that shareholders vote FOR resolutions proposing change in the registered office of the Company unless there are compelling reasons to believe that the said change will cause inconvenience to the shareholders of the Company. SES will look into such proposals very carefully if the registered office of the Company is being shifted to a remote location or a location which is not easily reachable.

INCREASE IN BOARD STRENGTH

Generally, SES will recommend voting FOR proposals seeking to fix the board size or designate a range for the board size provided that the board size ranges from a minimum of 6 members to a maximum of 15 members.

If the proposed board size is outside this range, SES expects that the Company would provide a rationale for the same. In such cases, SES would analyze the Company's justifications and make recommendation on a case-by-case basis.

SES will recommend voting AGAINST proposals that give the board discretion to alter the size of the board without taking further shareholder approval.

CHANGES DUE TO SHAREHOLDERS' AGREEMENTS

SES will analyze such proposals on a case-by-case basis to determine if special privileges are being provided to a particular investor. SES will assess the impact of such rights on other shareholders of the Company and make its recommendations accordingly.

REMOVAL OF ARTICLES / CLAUSES DUE TO TERMINATION OF SHAREHOLDERS' AGREEMENT

SES would generally vote FOR the resolutions to remove articles that grant special rights/privileges to a strategic/institutional investor of the Company upon termination of agreement. As a policy, SES strongly advocates against such agreements.

OTHER RESOLUTIONS

FII INVESTMENT LIMITS

SES in normal course will recommend voting FOR all resolutions for increasing the FII investment limit in the Company. However same will be analyzed based on existing ownership pattern and its impact on Promoter shareholding. SES will recommend voting AGAINST all resolution decreasing the FII investment limit in the Company unless strong rationale for the same is disclosed by the Company or the reduction is due to regulatory requirement/changes. While analyzing this type of resolution in which FII limit is increasing to 100% or substantially, promoters' shareholding should also be considered. (BHARTI CASE)

DELISTING OF SHARES

Delisting of shares can have a significant impact on the minority shareholders of the Company. Post delisting, shares of the entity become illiquid, reducing the exit options available to minority shareholders. Therefore, SES expects Companies to provide 1) adequate rationale for delisting of shares and 2) favorable exit options to investors. SES will analyze the Company's proposal on these lines, analyze the impact of the proposal on minority shareholders and make its recommendation on a case-by-case basis. SES will examine compliance with SEBI delisting regulations not only in letter but in spirit as well.

CORPORATE SOCIAL RESPONSIBILITY

The Companies Act, 2013 mandates that at least 2% of the average net profits of the Company, made during the three immediately preceding financial years, should be used for corporate social responsibility (CSR) activities.

SES strongly believes that every company should make sufficient contributions to the society through CSR spending. Such activities improve the society and the community that the Company operates in and benefit the company in the long run by providing a sustainable business environment to operate in and enhancing the Company's long-term value through increased reputation, brand image and goodwill.

However, since CSR contributions result in outflow of cash from the Company, excessive contributions may have a negative impact on shareholders' value. SES recommends that the Board should calibrate its CSR spending by balancing impact on the society with the impact on shareholders' value. Therefore, while evaluating proposals for increased CSR spending, SES will analyze the potential impact on shareholders' value and make its recommendation on a case-by-case basis.

KEY CONSIDERATIONS

1. Financial position of the Company
2. Conflict of interest issues

OFFICE OF PROFIT

While SES is principally not opposed to the appointment of relatives of directors/ promoters in the Company, SES does believe that such appointments may lead to conflict of interest issues / allegations of nepotism. Therefore, SES expects the Company to institute independent processes for the selection of a relative of a director for holding office or place or profit in the Company to minimize such issues. SES will analyse the fairness and transparency of the proposed appointment and Remuneration and make its recommendation on a case-by-case basis.

KEY CONSIDERATIONS

1. Does the Company have an independent committee which oversees the selection of a relative of a director for holding office or place or profit?
2. Is the director interested in the appointment part of the selection committee? If yes, did the director participate in the discussion pertaining to the said appointment?
3. Is the remuneration payable to the person being appointed comparable to other employees of the Company occupying similar positions/ grades?
4. Has the profile of the person being appointed disclosed?
5. Does the person appointed possess relevant qualification and experience for the position and was capable of being appointed regardless of association?

FEES TO BE CHARGED FOR SERVICE OF DOCUMENT

SES is principally against the fees charged to the shareholders for service of any document by the Company in ordinary course. However, the Company may charge reasonable fee, if the member specifies any particular mode of delivery, provided such fee or method of computation is approved by the members of the Company at the AGM. Therefore, SES will raise concern on any resolution which does not specify the fee charged in such cases.

SES believes all the documents like Annual Report, shareholding patterns, quarterly results etc. should duly be placed on the website of the Company as required under the law. At the same time, SES also understands that various documents such as Register of Members, etc. cannot be made available on the website of the Company. Therefore, SES is of the view that a reasonable fee be charged only in case if the investor wants a copy of the document in print mode through a particular mode of delivery.

KEY CONSIDERATIONS

1. Does the Company charge fees for service of document by all modes?
2. Is the document available on the website?
3. Has the Company disclosed the fees to be charged/ method of calculation of such fees?
4. Are the fees charged reasonable and/or includes courier charges/printing charges only?

SCHEDULE I
BANK'S RESOLUTIONS FOR ISSUE OF SECURITIES UNDER CRAR / BASEL III NORMS

With respect to Banks proposing resolutions for to raise funds during FY 2017-18 to maintain its (Capital Adequacy Ratio) CRAR / BASEL III Norms, SES shall examine the CRAR of the Bank in the following manner:

STANDARD TEXT:

Capital Adequacy Ratios – Basel III		
Parameters	RBI Benchmark for March 31, 2018	Actual CRAR maintained by the Bank
CRAR (%)	10.875 (Y)	X

	As on 31.3.2017	As on 31.3.2016	Growth (%)
Net NPA	A	B	$C=(A-B)/B \times 100$
Total Advances	P	Q	$R=(P-Q)/Q \times 100$

SES will also check whether the Bank has met the RBI minimum requirement for the current financial year (as well in previous years).

Latest Available CRAR of the Bank (X), RBI Benchmark for March 31, 2018 (Y)

- If the difference of latest CRAR of the Bank and RBI Benchmark i.e. **(X-Y) is less than 2%**, then SES will generally vote **FOR** the resolution. Also, to note any major change in factors like NPA's or financial performance or Advances.
- If the difference of latest CRAR of the Bank and RBI Benchmark i.e. **(X-Y) is 2% or more (X-Y = >2%)**, Also, to note any major change in factors like NPA's or financial performance or Advances as detailed below:
 - If the difference is **more than 2% (X-Y = >2%)**, however, the Net NPA's of the Bank or Advances have increased more than 10%, then vote **FOR** the Resolution.
 - If the difference is **more than 2% (X-Y = >2%)** but Net NPA's or Advances of the Bank has decreased or, has 'increased by less than 10%', then vote **AGAINST** the Resolution.
 - In nutshell for every 10% increase in NPA or Advances allow 1% of CRAR as cushion to determine adequacy
 - In case there is loss then we shall allow the loss portion as further cushion.
- If the latest CRAR of the Bank is **more than 3% (X-Y = >3%)**, then SES will generally recommend voting **AGAINST** the resolution. However, in such cases, other factors viz. Net NPAs, Advances and financial performance to be looked into on case to case basis.

SES will analyse the current capital adequacy ratio by looking at the CRAR figures. In addition, a reasonable forecast shall be made looking at the growth in Net NPA and Advances, that whether the Bank would require to infuse more capital to meet the regulatory requirement or not.

If SES feels that the Bank would need more capital, then, SES will not raise any concern for issue of equity shares.