

PRITISH NANDY COMMUNICATIONS LTD CORPORATE GOVERNANCE POLICY

In recent years, there has been an increasing global trend and need towards improved corporate governance practices, accountability and responsibility. Corporate governance is about commitment to values and about ethical business conduct. It is about how an organization is managed. This includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Corporate governance is primarily the responsibility of the Board as a group. The Board performs its duties with the support of managerial staff.

Timely and accurate disclosure of information regarding the financial situation, performance, board constitution, ownership of the company is an important part of corporate governance. Corporate governance arrangements are those through which an organisation directs and controls itself and the people associated with it.

The Company's Philosophy on Corporate Governance

The Company's philosophy on corporate governance envisages adherence to the highest levels of transparency, accountability and equity, in all areas of its operations and in all interactions with its stakeholders, including shareholders, employees, government and other agencies. The Company is committed to achieving the highest standards of corporate governance. It believes that all operations must be spearheaded towards attaining the final objective of enhancing shareholder value continuously.

At the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Company. Your Company believes that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance. There is active participation of Independent Directors in the Company.

The Company is committed to establish and maintain best corporate governance practices. The Company's corporate governance practices comply with the corporate governance requirements as per the Listing Agreement with Stock Exchanges.

The following Corporate Governance Policy has been adopted by the Board of Directors to assist the Board in the exercise of its responsibilities. This Policy is subject to future amendments or changes as may be necessary in the light of the amendments in various regulations governing governance requirements.

The Corporate Governance Policy

Board of Directors

The Board is responsible to exercise their business judgement to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging their duties the Directors shall comply with the Code of Conduct as adopted by the Board.

Directors are expected to attend and actively participate in Board Meetings and Meetings of Committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

The Board is responsible for overall compliance with the corporate governance of the Company. It oversees and directs the management of the Company's business and affairs. In doing so, it must act honestly, in good faith, and in the best interests of the Company.

Size of the Board

As per the Articles of Association of the Company, the maximum number of Directors which the Company can appoint is 12.

Board Composition

The Company's Board shall have an optimum combination of Executive, Non-Executive and Independent Directors with majority of Non-Executive and Independent Directors as required by the Listing Agreement.

Independent Director

As defined in the Listing Agreement, an Independent Director means a Non-Executive Director of the company who:

- a. apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies;
- b. is not related to promoters or management at the Board level or at one level below the Board;
- c. has not been an executive of the company in the immediately preceding three financial years;
- d. is not a partner or an executive of the statutory audit firm or the internal audit firm that is associated with the company, and has not been a partner or an executive of any such firm for the last three years. This will also apply to legal firm(s) and consulting firm(s) that have a material association with the entity;
- e. is not a supplier, service provider or customer of the company. This should include lessor-lessee type relationships also; and
- f. is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares.

Appointment of Director

The invitation to join the Board is extended on behalf of the Board by the Chairman of the Board. New director shall be apprised of the working of the Company and various codes of conduct adopted by the Company in its functioning.

In case of appointment of a new director or re-appointment of a director the shareholders shall be provided with the following information:

- a. A brief resume of the director;
- b. Nature of his expertise in specific functional areas; and
- c. Names of companies in which the person also holds the directorship and the membership of committees of the board.

Tenure

The tenure of Executive Directors shall not exceed a period of five years on each occasion. Non-Executive/ Independent Directors shall be eligible for retirement by rotation as well as reappointment.

Compensation/ Sitting fees

Executive Directors:

Executive Directors shall be paid remuneration within the limits envisaged under Schedule XIII of the Companies Act, 1956. The remuneration payable shall be approved by the Board as well as the shareholders of the Company. As a policy, no sitting fees shall be payable to Executive Directors.

Non Executive/ Independent Directors:

Non-Executive Directors/ Independent Directors are paid sitting fees for attending the Board Meeting. No fees are paid for attending Committee Meetings. The sitting fees to be paid shall be within the prescribed limits of Companies Act, 1956 and other applicable provisions of various regulations as the case may be.

All compensation paid to Non-Executive/ Independent Directors shall be fixed by the Board of Directors and shall be approved by shareholders in general meeting. All the details relating to the compensation so paid shall also be disclosed in the Annual Report of the Company.

Board Meetings

The Board Meetings of the Company shall be held at least four times a year, once every quarter i.e. during the last week of April, July, October and January. The meetings of the Board will be held at the Company's registered office unless otherwise decided by the Board of Directors.

Information to be placed before Board of Directors

- a. Annual operating plans and budgets and any updates.
- b. Capital budgets and any updates.
- c. Quarterly results for the company and its operating divisions or business segments.
- d. Minutes of meetings of Audit Committee and other committees of the Board.
- e. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- f. Show cause, demand, prosecution notices and penalty notices which are materially important
- g. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- h. Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- i. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- j. Details of any joint venture or collaboration agreement.
- k. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- l. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- m. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- n. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- o. Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

Agenda for the Meeting

The agenda for the Board Meetings will be sent to the Directors at least 7 days prior to the Meeting. Each Board member is free to suggest the inclusion of items on the agenda. With the permission of the Chair each Board member is also free to raise at any Board Meeting matters that are not on the agenda. All information relevant to the agenda to be discussed at an upcoming Board Meeting shall be distributed in writing or electronically to all members to facilitate informed decisions at the Meeting. However, with reference to any sensitive matter on the agenda, relevant information shall be made available only at the time of the Board Meeting.

Attendance at Board Meetings

The Board Meetings shall be attended by the Directors and on invitation of the Board by the selected executives of the Company who can provide an insight into the items being discussed. All the Executive as well as Non-Executive Directors shall make it a point to attend all meetings of the Board. In case a Director cannot attend a specific Board Meeting, he or she shall obtain leave of absence from the Board. The Board, in its sole discretion, shall also have access to any independent advisors.

Planning

At the Board Meeting the Board shall make strategic and operating plans for the Company. The Board shall review the plans periodically as may be necessary.

Minutes

The minutes of all meetings of the Board shall be circulated to the Board before finalization and shall be approved in the next Board Meeting.

Duties and Responsibilities

The Board is responsible for overseeing compliance with all relevant policies and procedures by which the Company operates and ensuring that the Company operates at all times in compliance with all applicable laws and regulations adhering to the highest ethical and moral standards.

The Board monitors the financial performance of the Company and must ensure that the financial results are prepared in accordance with the generally accepted accounting principles and is reported to shareholders and regulators on a timely and regular basis. The Board must also ensure that all material developments of the Company are disclosed to the public on a timely basis in accordance with the Listing Agreement requirement.

Committees

The functioning of the Board shall be further supplemented by its Audit Committee and Shareholders/Investors Grievance Committee. The Committees shall meet periodically.

The Audit Committee

The Company shall formulate an Audit Committee in compliance with the provisions of Companies Act, 1956 and Listing Agreement which binds the constitution and functioning of the Committee.

The Audit Committee of the Company shall have minimum of three Non-Executive Directors, 2/3rd of them being Independent Directors, who shall meet all applicable legal requirements with respect to independence, financial literacy, accounting or related financial expertise etc. The members of the Audit Committee are appointed by the Board of Directors.

The Chairman of the Committee shall be an Independent Director himself who shall be present at Annual General Meeting to answer shareholder queries.

The Audit Committee Meeting shall be attended by;

- The members of the Audit Committee
- Internal Auditors
- Company Secretary to act as the secretary to the Committee
- Such other invitees at the discretion of the Chairman of the Committee

The meetings of the Audit Committee shall at least be held minimum four times a year usually preceding the Board Meeting. The quarterly financial statements shall be reviewed by the Committee before placing the same before the Board.

The management of the Company has the overall responsibility to prepare financial statements in accordance with generally accepted accounting principles. The Company's Independent Auditors has the responsibility to audit those financial statements. The Audit Committee's responsibility is one of overseeing the financial information. However, the Audit Committee has no obligation to provide any expert or other special assurance as to the Company's financial statements.

The objectives of the Audit Committee are to:

- a. Assist the Board of Directors of the Company in fulfilling its responsibilities to oversee
 - Company's financial reporting process
 - The integrity of the Company's financial statements
 - Independent Auditors' qualifications and independence
 - The performance of the Company's Internal Audit function and Independent Auditor
- b. Oversee the Company's compliance with legal and regulatory requirements
- c. Evaluate the adequacy and effectiveness of the Company's legal compliance control system
- d. Encourage legal compliance in the observance of highest standards of ethics and integrity

Powers of Audit Committee

The Audit Committee will have the resources and other authority necessary to discharge its duties and responsibilities. The Committee is empowered:

- a. To investigate any activity within its terms of reference.
- b. To have direct access to seek information from any employee of the Company.
- c. To obtain outside legal or other professional advice and to secure attendance of outsiders with relevant expertise, if it considers necessary.
- d. To have unrestricted access to the Company's books and records.

Responsibilities and Duties

Internal Audit

- a. Reviewing the adequacy of internal control systems with the management, external and internal auditors.
- b. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- c. Reviewing and discussing with internal auditors and management on significant issues/ findings arising from the internal audit reports and follow up thereon.
- d. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

External Audit

- e. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- f. Discussion with external auditors before the audit commences about nature and scope of audit.
- g. Post-audit discussion with external auditors to ascertain any area of concern.
Review of performance of the external auditors.

General

- h. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- i. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions.
- j. Reviewing with the management, external and internal auditors, adequacy of internal control systems.
- k. Reviewing the Company's financial and risk management policies.
- l. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- m. Identifying and reporting of the potential risk factors with necessary remedial measures, if any.

In addition to the above, the Audit Committee will undertake such other duties as the Board of Directors delegates to it, and will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

Review of information by Audit Committee

- a. Financial statements and draft audit report, including quarterly / half-yearly financial information.
- b. Management discussion and analysis of financial condition and results of operations.
- c. Reports relating to compliance with laws and to risk management.
- d. Management letters / letters of internal control weaknesses issued by statutory / internal auditors.
- e. Records of related party transactions.
- f. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Frequency of Meetings

The Audit Committee will meet at least four times each year. In addition to its members, the Committee may at its discretion require the attendance of executives of the Company like Head of Finance, at its meetings. The Committee would be free to meet without the presence of any or all of such invitees if it so desires.

Minutes

The Company Secretary will maintain minutes of the meetings of the Audit Committee.

Share Transfer and Investors Grievance Committee

A Board committee under the chairmanship of Non Executive Director shall be formed named as Share Transfer and Investors Grievance Committee. The Committee shall meet at such intervals as may be necessary. This Committee shall oversee the performance of the Registrar and Share Transfer Agent (R & T Agent) and recommend measures for overall improvement of the quality of investor services. The Committee shall also oversee and review all matters relating to transfer of securities. The Committee shall also look into redressing complaints of shareholders/ investors. To expedite the settlement of grievances the Committee may delegate the power to the Company Secretary.

Disclosure of this Policy

This policy shall be posted on the Company's website and also shall be available in print to any shareholder requesting it.

Board of Directors of
Prithi Nandy Communications Ltd.

Adopted on August 5, 2005

