

# STC Board Charter

## 1.0 Background:

Department of Public Enterprises under Ministry of Heavy Industries and Public Enterprises, Govt. of India has issued detailed guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs). STC Board of Directors in its 567<sup>th</sup> meeting held on 15<sup>th</sup> December, 2010 has approved adoption of these guidelines. The Guidelines envisage a formal statement of Board Charter clearly defining the roles and responsibilities of the Board and individual directors.

Accordingly, this Board Charter has been approved by the Board in its 569<sup>th</sup> meeting held on 28<sup>th</sup> April, 2011.

## 2.0 Composition of Board:

The composition of Board shall be in line with the DPE guidelines and Clause 49 of the listing agreement entered into with the Stock Exchanges, as amended from time to time. Presently, the requirements with regard to Composition of the Board of Directors are as under:

- (i) The Board of Directors of the company shall have an optimum combination of Functional, Nominee and Independent Directors.
- (ii) The number of Nominee Directors appointed by Government shall be restricted to a maximum of two.
- (iii) STC being a listed company and being headed by an Executive Chairman, the number of Independent Directors shall be at least 50% of the total strength of the Board.

## 3.0 Responsibilities and Powers of the Board of Directors:

The Board shall be primarily responsible for efficient management of the affairs of the company and to ensure value creation for its stakeholders by setting strategies and policies.

Board's responsibilities shall include overseeing the functioning of the Company, monitoring legal and statutory compliance and management of risks on the basis of information provided to it.

The Board shall also be responsible for overseeing STC's corporate governance framework.

The operations of the Company shall be managed under the directions of the Board within the framework set out by the Companies Act, 1956 and the Articles of Association of the Company.

- 3.1 Subject to the provisions of the Companies Act, the Board of Directors of STC shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorized to exercise and do; provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Companies Act, 1956 or any other Act or by the Memorandum or Articles of the Company or otherwise, to be exercised or done by the company in general meeting. [Section 291(1) of the Companies Act, 1956]
- 3.2 The following powers shall be exercised by Board only at meetings [Section 292(1) of the Companies Act, 1956]:
- (a) The power to make calls on shareholders in respect of money unpaid on their shares;
  - (aa) The power to authorise the buy-back of shares;
  - (b) The power to issue debentures;
  - (c) The power to borrow moneys otherwise than on debentures;
  - (d) The power to invest funds of the company; and
  - (e) The power to make loans.

The Board may delegate some of the above powers at (c), (d) and (e) above to other functionaries by means of resolutions passed at meetings of the Board.

- 3.3 The following powers of Board are subject to restrictions and shall not be exercised without the consent of the company in a general meeting. [Section 293(1) of the Companies Act, 1956]
- (a) Sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company,
  - (b) Remit, or give time for repayment of, any debt due by a director,
  - (c) Invest, otherwise than in trust securities,
  - (d) Borrow moneys, where the moneys to be borrowed, together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business), will exceed the aggregate of the paid-

up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose,

- (e) Contribute to charitable and other funds not directly relating to the business of the Company or welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed Fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Section 349 and 350 during the three financial years immediately preceding, whichever is greater.

3.4 The business of the company shall be managed by the Board who may exercise all such powers of the company as are not, by the Companies Act, 1956, or any statutory modification thereof for the time being in force or by the Articles of Association of the Company, required to be exercised by the company in general meetings, subject nevertheless to the provisions of the said Articles, too the provisions of the said Act and the directives if any, the President may issue from time to time and to such regulations being not inconsistent with the aforesaid provisions as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors, which would have been valid if that regulation had not been made. [Article No. 80 of the Articles of Association of STC]

3.5 The Board of Directors may from time to time entrust to and confer upon the Chairman/ Managing Director and Directors etc., for the time being of such of the powers exercisable under these articles by the Board of Directors as it may think fit may confer such powers for such time and to be exercised for such object and purpose and upon such terms and conditions & with such restrictions as it may think expedient, and it may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf, and may from time to time, revoke, withdraw, alter or vary all or any of such powers. [Article No. 79(8) of the Articles of Association of STC]

3.6 The Directors/ Board shall further have specific powers for the matters briefly stated below [Details in Article No. 81 of the Articles of Association of STC]:

- To acquire property,
- To authorize the undertaking of work of capital nature,
- To pay for property in debentures etc.,
- To secure contracts by mortgage,
- To create posts and appoint officers etc.

- To appoint trustees,
- To bring and defend action, etc.
- To refer to arbitration,
- To give receipt,
- To authorize acceptance etc.
- To appoint attorneys,
- To invest money,
- To give security by way of indemnity,
- To give percentage commission,
- To give bonus,
- To make byelaws,
- To create Provident Fund,
- To establish local Board,
- To make contracts etc.
- To sub-delegate powers.

#### **4.0 Number of Board Meetings:**

The Board shall meet at least once in every three months and at least four such meetings shall be held every year. Further, the time gap between any two meetings shall not be more than three months.

#### **5.0 Board Committees:**

A Director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he/she is a Director. Furthermore, it shall be a mandatory requirement for every Director to inform the company every year about the committee positions he occupies in other companies and notify changes as and when they take place.

Explanation:

- (a) For the purpose of considering the limit of the committees on which a Director can serve, all public limited companies, whether listed or not, shall be included.
- (b) For the purpose of reckoning the limit under this clause, Chairmanship/membership of the Audit Committee and the Shareholders' Grievance Committee alone shall be considered.

## **6.0 Code of Business Conduct and Ethics:**

The Board shall lay down a Code of Business Conduct and Ethics for all Board members and senior management of the company. The Code shall be circulated and also posted on the website of the company.[Already approved in the Board Meeting No. 567 dated 15.12.2010]

All Board members and senior management personnel shall affirm compliance with the Code on an annual basis. The Annual Report of the company shall contain a declaration to this effect signed by its Chief Executive.

## **7.0 Compliance of Laws :**

The Board shall periodically review compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliance.

## **8.0 Risk Management:**

The Board shall ensure the integration and alignment of the risk management system with the corporate and operational objectives and also that risk management is undertaken as a part of normal business practice and not as a separate task at set times.

## **9.0 Functions of the Board:**

The Board of Directors shall meet periodically to consider matters as required under law and to consider, review and discuss reports by management on the performance of the Company, its plans and prospects as well as immediate issues facing the company. In addition to its general oversight of management, the Board shall consider the following:

- (i) Annual operating plans and budgets and any updates.
- (ii) Capital budgets and any updates.
- (iii) Quarterly results for the company and its operating divisions or business segments.
- (iv) Minutes of meetings of audit committee and other committees of the board.

- (v) 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.
- (vi) Show cause, demand, prosecution notices and penalty notices which are materially important.
- (vii) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- (viii) Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
- (ix) Any issue, which involves possible public or product liability claims of substantial nature, including any judgement 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.
- (x) Details of any joint venture or collaboration agreement.
- (xi) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- (xii) 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.
- (xiii) Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- (xiv) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- (xv) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

## 10.0 **General Duties of the Directors**

Board members are expected to act in good faith and with due care so as to exercise their judgement on an informed basis in what they reasonably and honestly believe to be in the best interests of the Company.

### 10.1 **Statutory Duties**

The Directors are responsible for ensuring compliance with all applicable statutory requirements by the Company. For this, the Board will require the management to place before itself all the relevant reports, certificates, with supporting documents as applicable to facilitate the Board or its sub-committee to achieve this objective. In case any violation or default by the management is observed, the Board may provide necessary direction to the management for taking corrective action and effective compliance.

### 10.2 **Fiduciary Duties**

Directorships are considered ‘positions of trust’. Board as a whole and the Directors as individuals owe certain fiduciary responsibilities to the Company as an entity and to its stakeholders. Directors are required to act in the best interests of all shareholders / stakeholders of the Company in accordance with the Memorandum and Articles of Association of the Company. The fiduciary duties of Directors include:

#### **Duty of Loyalty to act without conflict and always put the interests of the Company before those of the individual Director**

Directors should not be influenced by any financial or personal interest in the course of their dealings on behalf of or with the Company. If avoidance is impractical in a given situation, then such transactions should be approved by non-interested Directors in a manner that ensures arms length relationship including the right of the non-interested Directors to reject the transaction altogether. Independent Directors must critically review conflict-of-interest transactions.

#### **Duty of Care to take informed decisions**

Duty of Care demands that Directors must exercise due care and diligence in overseeing the functioning of the Company. Directors shall collectively and individually, act prudently in discharging their duties. Directors are expected to attend all Board, General and Committee meetings.

**Duty to act in good faith in accordance with the Company’s codes and policies and the best governance practices**

The duty of good faith requires the Directors to ensure decisions are taken in the best interests of the Company.

**11.0 Disclosure/Declarations to be made by the Board members**

The following disclosures / declarations are to be given by Board members:

<b>Sr. No.</b>	<b>Reference</b>	<b>Particulars</b>	<b>Periodicity</b>
<b>1.</b>	Sec. 299 and 297 of the Companies Act, 1956	Disclosure of interests	At the time of joining the Board;(Immediate)  As and when there is a change in interests;  During the last month of every Financial year. [before March 31 of every year]
<b>2.</b>	Sec. 305 of the Companies Act, 1956	Disclosure of Particulars of other Directorships/Committee Membership	At the time of joining the Board; [Immediate] As and when there is a change in particulars; [within 20 days of such change]
<b>3.</b>	Sec 308 of the Companies Act, 1956	Disclosure of shareholding in the Company and its subsidiaries	At the time of joining the Board; [Immediate] As and when there is a change in



			holding;
4.	Clause 49 of the listing agreement and DPE Corporate Governance Guidelines, 2010	Annual affirmation of compliance with Code of Business Conduct and Ethics.	Within 30 days of the close of every financial year.

## 12.0 Responsibilities of Individual Directors.

### 12.1 Whole Time Functional Directors

#### A. Chairman and Managing Director

The Chairman and Managing Director is the Chief Executive of the Corporation and is accountable to its Board of Directors and Government of India. He is responsible for the efficient functioning of the Corporation leading to consistent growth in performance thereby achieving its Corporate Objectives.

As a Chairman, CMD is expected to provide leadership to the Board of Directors, maintain focus on long term perspective and to make sure that the Board sets and implements the Company's direction and strategy effectively.

CMD is responsible for ensuring that the Company's strategic plans and operating budgets are aligned with the Corporate Objectives set by the Board.

#### B. Director (Finance)

Director (Finance) is a member of the Board of Directors and reports to the Chairman and Managing Director. He is overall in-charge of finance and accounts functions of the organization, and is responsible for evolving and formulating finance policies as well as implementation thereof.

As a member of the Board of Directors of the Company, he exercises statutory and corporate responsibilities in the efficient and profitable operations of the company.

As a functional Director, he is responsible for managing specific tasks assigned to him pertaining to the areas of financial management and accounting. He is responsible for:-

- (i) Developing sound corporate and financial strategies including procurement of funds at the minimum cost and their effective utilization.
- (ii) Direct the financial management functions including budget preparation and control cash flow, foreign exchange management, taxation and expenditure.
- (iii) Maintain liaison with the financial institutions, regulatory authorities and other commercial banks.
- (iv) Ensure prompt and proper accountal of revenue and expenditure and preparation of the company's financial accounts including profit and loss accounts and balance sheet and facilitating the auditing of company's accounts by Internal, Statutory and C&AG auditors.
- (v) Financial Concurrence of proposals in terms of Delegation of Powers.

### **C. Director (Marketing)**

Director (Marketing) is a member of the Board of Directors and reports to the Chairman and Managing Director. He is required to develop and expand International as well as Domestic Trade by formulating and executing appropriate policies, plans and strategies including identifying new products and markets.

As Director, he is responsible for specified commodities assigned to him by CMD from time to time.

He is also required to achieve the performance targets in terms of turnover and profitability in respect of the assigned areas while enforcing compliance of trading guidelines including due diligence in selection of business associates.

He is also responsible for overall monitoring of business transactions under his charge.

## **D. Director (Personnel)**

Director (Personnel) is a member of the Board of Directors and reports to the Chairman and Managing Director. As head of Personnel and Administration, he is responsible for formulation and execution of Human Resource Policies and programs, managing all aspects of employee relations, evolving an efficient administrative set up, manage staffing/recruitment, organizational development, performance management, training, compensation & benefits administration, and employee counseling including the following:-

- Developing an employee-oriented company culture that emphasizes quality, continuous improvement, team work, and high performance.
- Implementing HR Policies & programs as required by the business.
- Creating Organizational development and employee training programs.
- To maintain industrial harmony.
- Devising and implementing policies to attract and retain talent and placing them at an appropriate level.
- Implementation of CSR activities.
- Responsible for efficient functioning of General Administration and Law Divisions.
- Optimum utilization of company's assets and properties.
- Ensuring statutory compliance of various laws relating to labour, property and other assets.

### **12.2 Part-time Official Directors/ Government Directors**

As per Article No. 79(4) of the Articles of Association, the President has the right to nominate persons for appointment as a non-executive Director of the Company. The Part-time official Directors attend the meetings of the Board and other Board Committees where they are nominated as Chairman/ Member by the Board, as and when such meetings are convened. Government officials on the Board are expected to contribute in deliberation and decision making by providing Government perspective and will be collectively responsible for the deliberations and decisions taken by the Board from time to time.

### **12.3 Part-time Non-Official Directors/Independent Directors.**

Independence of the Board is essential for sound corporate governance as envisaged in DPE Guidelines on Corporate Governance. The Independent Directors attend the meetings of the Board and other Board Committees where they are nominated as Chairman/Member by the Board, as and when such meetings are convened.

The Independent Directors on the Board shall make best efforts to protect the interests of shareholders and all other stakeholders, by bringing an element of objectivity and independence in examination, deliberation, and decision making in respect of matters brought before the Board. Since the Independent Directors are reputed professionals drawn from diverse fields of expertise, the quality of decision making and corporate governance is enhanced by having a more broader perspective. The Independent Directors are collectively responsible for the deliberations and decisions taken by the Board from time to time.

Principles of corporate governance require Independent Directors to review the overall strategy, oversee the performance of company, balance the conflicting interests of the stakeholders, and help in decision making process of the Board. Their key role is to provide an unbiased and independent, perspective to the Board on the basis of their expertise and experience.

The above Board Charter deals with the main responsibilities, powers, duties and role of individual Directors. However for further details the relevant provisions of the Companies Act, 1956, Memorandum and Articles of Association of the Company, DPE Guidelines on Corporate Governance and Clause 49 of the Listing agreement, as amended from time to time should be referred.