

ANNEXURE ON CORPORATE GOVERNANCE

(Format for grading Numaligarh Refinery Limited on the basis of the Company's compliance with Guidelines on Corporate Governance)

Name of CPSE: **Numaligarh Refinery Limited**

Name of Ministry/Department: **Ministry of Petroleum & Natural Gas**

Listed/Unlisted: **Unlisted**

Year: **2012-13**

Quarter: _____

1.1 Composition of Board (2 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Does the Board have an optimum combination of functional, nominee and independent directors? (The optimum number of members in the board may be decided by the DPE).	1	<i>Not applicable for NRL as the Company does not have control over appointment of Independent Directors.</i>	
ii.	Does the number of functional directors in the company (including CMD/MD) constitute 50% of the actual strength of the board?	1	<i>Not applicable for NRL as the Company does not have control over appointment of Independent Directors (at present NRL has 3 Functional Directors against total Board strength of 11).</i>	

1.2 Non-official Directors (5 marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Is the number of Nominee Directors appointed by Government / other CPSE as per the DPE Guidelines.	1	<i>NRL is a subsidiary of BPCL (shareholding 61.65%) with further shareholding of OIL (26%) and Govt. of Assam (12.35%). As per relationship between the "Holding Company" (BPCL) and the "Subsidiary Company" (NRL) in terms of Section 4 of the Companies Act, 1956 and in accordance with the supplemental MOU signed among the promoters, viz. erstwhile IBP Co. Ltd., BPCL and Govt. of Assam (GoA) on 03.07.1997 with prior approval of MOPNG, the holding company and the other promoters (including OIL who was</i>	

			subsequently inducted as a share holder with 26% share in the year 2008) are entitled to appoint their nominees. Accordingly, NRL at present have 7 nominee Directors on the Board (BPCL:3, GoA:2, OIL: 1 and Govt. of India:1). It is, therefore, not possible for NRL to have only 2 (two) nominee Directors as prescribed in Clause 3.1.3 of the DPE Guideline.
ii.	Is the number of Independent Directors at least 50% of Board Members (in the case of listed CPSE with an executive chairman) and at least one-third (in the case of listed but without an executive chairman or not listed CPSE).	4	Not applicable for NRL as the Company does not have control over appointment of Independent Directors.

1.3 Part-time Directors' Compensation and Disclosure (1 Mark)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Is the fee/compensation of part-time Directors including Independent Directors fixed by Board as per the DPE Guidelines and Companies Act, 1956	1	Yes=1 No=0	

1.4 Board Meetings (2 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Over the last 12 months, did the Board meet at least 4 times without exceeding the time gap of three months between two meetings?	1	Yes=1 No=0	
ii.	Over the last 12 months, did all members of the Board receive notification of Board meetings with meeting agenda at least 7 working days in advance of meetings?	1	Yes=1 No=0	

1.5 Review of Compliance of Laws (5 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Does the management certify to the Board that all laws and statutes as applicable to the company have been obeyed and complied with?	5	Yes=5 No=0	

1.6 Code of Conduct (2 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Does the company have a manual on Corporate Governance approved by the Board applicable to directors and senior management of the company?	1	Yes=1 No=0	
ii.	Do the members of the Board having conflict of interest abstain from participating in the agenda item in which he/she has personal interest?	1	Yes=1 No=0	

1.7 Risk Management (4 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Does the company have risk management plan approved by the full Board?	2	Yes=2 No=0	
ii.	Does the Board review and take remedial action to implement the risk management plan?	2	Yes=2 No=0	

1.8 Training of New Board Members (4 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Does the Board have a policy specifying training requirements for board members?	2	Yes=2 No=0	

ii.	Did the Board members receive institutional training of one week per year after appointment to the Board?	2	Yes=2 No=0	
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2.1 Constitution of Audit Committee (4 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Does the Board of Directors have a qualified and independent Audit Committee with a Terms of Reference?	1	Yes=1 No=0	
ii.	Does the Audit Committee have Minimum three directors as members and two-third of its members as Independent Directors?	1	<i>Not applicable for NRL as the Company does not have control over appointment of Independent Directors.</i>	
iii.	Is the Audit Committee chaired by an Independent Director?	1	Yes=1 No=0	
iv.	Do all members of the Audit Committee have knowledge of financial matters of the company and at least one member has expertise in accounting and financial management?	1	Yes=1 No=0	

2.2 Audit Committee Role (6 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Do the procedures governing the Audit Committee specify that the Audit Committee is responsible for the oversight of the company's financial reporting proves and the disclosures of its financial information?	1	Yes=1 No=0	
ii.	Do the procedures governing the Audit Committee specify that it can recommend to the Board the fixation of audit fees?	1	Yes=1 No=0	

iii.	Do the procedures governing the Audit Committee specify that it can approve the payment to statutory auditors for any other services rendered by them?	1	Yes=1 No=0	
iv.	Do the procedures governing the Audit Committee specify that the Audit Committee is responsible for reviewing with the management and ensuring that the company's annual financial statements and audits are in compliance with applicable laws, regulations, and company policies before submission to the Board for approval?	1	Yes=1 No=0	
v.	Do the procedures governing the Audit Committee specify that the Audit Committee is responsible for reviewing with the management the performance of internal auditors and adequacy of the internal control systems.	1	Yes=1 No=0	
vi.	Are the procedures and rules governing the Audit Committee approved by the full Board?	1	Yes=1 No=0	

2.3 Audit Committee Powers (5 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Is the Audit Committee empowered to seek information on and from any employee of the CPSE?	1	Yes=1 No=0	
ii.	Does the Audit Committee have powers to secure help of outside legal or any other experts when necessary?	1	Yes=1 No=0	
iii.	Does the Audit Committee have powers to mitigate conflicts of interest by	1	Yes=1 No=0	

	strengthening auditor independent?			
iv.	Is the Audit Committee empowered to ensure the effectiveness of internal controls and risk management?	1	Yes=1 No=0	
v.	Is there a system of protection for employees and others who report infractions to the internal audit function or the external auditors (to protect "whistle blowers")?	1	Yes=1 No=0	

2.4 Meeting of Audit Committee (5 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Did the Audit Committee meet at least four times during the last 12 months?	1	Yes=1 No=0	
ii.	Did the frequency of the Audit Committee meetings as per the norms (i.e. not more than four months shall elapse between two meetings)?	2	Yes=2 No=0	
iii.	Did the minimum of two Independent Directors attend the meeting of the Audit Committee?	2	<i>Not applicable for NRL as the Company does not have control over appointment of Independent Directors.</i>	

2.5 Review of Information by Audit Committee (5 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Does the Audit Committee review the management discussion and analysis of financial condition and results of operations?	1	Yes=1 No=0	
ii.	Does the Audit Committee review the statement of related party transactions submitted by management?	1	Yes=1 No=0	
iii.	Does the internal audit department report relating to	1	Yes=1 No=0	

	internal control weaknesses reviewed by the Audit Committee?			
iv.	Is the information regarding appointment and/or removal of Chief Internal Auditor placed before the Audit Committee?	1	Yes=1 No=0	
v.	Does the Audit Committee review the declaration of financial statements by the CEO/CFO?	1	Yes=1 No=0	

3.1 Constitution of Remuneration Committee (5 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria of Measurement	Awarded Marks
i.	Does the Board have Remuneration Committee?	1	Yes=1 No=0	
ii.	Does the remuneration committee comprise of at least 3 directors who are all part-time directors (Nominee or Independent)?	2	Yes=2 No=0	
iii.	Is the remuneration committee chaired by an Independent Director?	2	Yes=2 No=0	

4.1 Board of Subsidiary Companies (3 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Board of Subsidiary company include at least one independent director of the holding company as a director?	1	<i>Not applicable for NRL as NRL does not have any subsidiary company.</i>	
ii.	Are the minutes of meetings of Board of Directors of subsidiary company place in the Board meetings of the holding company?	1	<i>Not applicable for NRL as NRL does not have any subsidiary company.</i>	
iii.	Does the number of functional directors (including CMD/MD) constitute 50% of the actual strength of the board?	1	<i>Not applicable for NRL as NRL does not have any subsidiary company.</i>	

4.2 Review of Financial Statement of Subsidiary by Audit Committee (1 Mark)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the Audit Committee of the holding company review the financial statements of the subsidiary company?	1	<i>Not applicable for NRL as NRL does not have any subsidiary company.</i>	

4.3 Review Performance of Subsidiary by Board (1 Mark)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the Board of Directors of the holding company review the performance of the subsidiary company as per the DPE Guidelines?	1	<i>Not applicable for NRL as NRL does not have any subsidiary company.</i>	

5.1 Transactions (3 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Is the summary of transactions with related parties in the normal and ordinary course of business placed before the Audit Committee of the Board?	1	Yes = 1 No = 0	
ii	Are the details of material individual transactions with related parties undertaken in extraordinary circumstances of business placed before the audit Committee?	1	Yes = 1 No = 0	
iii	Are the details of material individual transactions with related parties or others, which are not on an arm's length basis placed before the Audit Committee along with management's justifications for the same?	1	Yes = 1 No = 0	

5.2 Accounting Standards (3 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Do the company's accounting procedures comply with the Accounting Standards adopted by ICAI?	2	Yes = 2 No = 0	
ii	Is the deviation from the prescribed accounting standards disclosed and explained in the financial statements and in the corporate governance report of the Company?	1	Yes = 1 No = 0	

5.3 Consolidated Financial Statements (3 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Are the consolidated Financial Statements of the Company prepared in accordance with the Accounting Standards, namely, AS21, AS23 and AS27 issued by ICAI?	3	<i>Not applicable to NRL as NRL does not have any subsidiary company.</i>	

5.4 Segment-wise Profit and loss Statement (3 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the company disclose segment-wise profit & loss as per Accounting Standard 17 issued by ICAI?	3	<i>Not applicable for NRL as the Company does not have multiple segment.</i>	

5.5 Board Disclosures-wise – Risk Management (3 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Do the company's latest Annual Report include management's assessment of the company's outlook for the future and identify important	2	Yes = 2 No = 0	

	risks that the company may face in future?			
ii	Has the company included in its latest Annual Report a statement of its corporate objectives (Mission) and does it periodically update this statement?	1	Yes = 1 No = 0	

5.6 Remuneration of Directors (3 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the company's latest Annual Report disclose all pecuniary relationship or transactions of the part-time directors vis-à-vis the company?	2	Yes = 2 No = 0	
ii	Does the company disclose in its latest Annual Report the details on remuneration of Directors?	1	Yes = 1 No = 0	

5.7 Management Discussion and Analysis (1 Mark)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the Management Discuss and Analysis Report include (a) Industry structure and developments; (b) Strength and weakness; (c) Opportunities and threats; (d) Outlook for the future; (e) Risks and concerns; (f) Internal control systems and their adequacy; (g) Analysis of finances and operations; (h) Human resources, industrial relations, and talent management issues; (i) Environmental conservation, renewal	1	Yes = 1 No = 0	

	energy use and R&D issue; and (j) Social responsibility issues for the company (CSR)			
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5.8 Disclosures by Senior Management (1 Mark)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the company's latest Annual Report disclose significant "related party" transactions of senior management where they have personal interest?	1	Yes = 1 No = 0	

6.1 Report on Corporate Governance (4 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the company's latest Annual Report have a separate section on Compliance to corporate Governance Guidelines issued by DPE ?	2	Yes = 2 No = 0	
ii	Does the company produce periodic reports and press releases to indicate significant developments impaction on corporate governance (such as, legal and environmental issues; commitment to workforce, suppliers, customers and local communities etc.)?	1	Yes = 1 No = 0	
iii	Does the company have a dedicated cell responsible for information sharing with stakeholders through the use of information and communication technologies (ICT)?	1	Yes = 1 No = 0	

6.2 Compliance Certificate (4 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Has the company obtained a Certificate from the auditors and/or practicing Company Secretary regarding Compliance of Corporate Governance Guidelines and Annexes ?	2	Yes =2 No = 0	
ii	Does the latest Annual Report of the company include the Compliance Certificate along with the Directors' Report, which is also sent to all shareholders?	2	Yes =2 No = 0	

6.3 Chairman's Speech in AGM and Annual Report (4 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the Chairman's speech at the latest AGM include a section on compliance with Corporate Governance guidelines ?	2	Yes =2 No = 0	
ii	Does the Chairman's speech at the latest AGM form part of Annual Report of the company?	2	Yes =2 No = 0	

6.4 Holding AGM, Adoption of Audited Accounts and Filing of adopted Accounts with the Registrar of Companies within the stipulated time (4 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Did the company hold an Annual General Meeting (AGM) at a convenient time and place that was open to all shareholders?	1	Yes =1 No = 0	
ii	Are the year-end Audited Accounts placed in the AGM for adoption by the shareholders of the company?	2	Yes =2 No = 0	

iii	Are the year-end Audited Accounts adopted in the AGM filed with the Registrar of companies within the stipulated time?	1	Yes =1 No = 0	
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6.5 Timely Submission of Grading Report (4 Marks)

Sl. No.	Indicator	Prescribed Marks	Criteria for Measurement	Awarded Marks
I	Did the company submit quarterly grading report regarding DPE Guidelines on Corporate Governance in the prescribed format to respective Administrative Ministries within 15 days from the close of each quarter?	4	Yes =4 No = 0	

(Signature of Authorised Signatory)

(Name and Designation of Authorised Signatory)

Note:

- The grading reporting the above format is to be filled for each quarter and total marks (out of 100) are to be calculated for each quarter. The scores for each of the four quarters are to be averaged for arriving at annual score.
- The grading would be awarded as under:

Grade	Annual Score
Excellent	85 and above
Very Good	75-84
Good	60-74
Fair	50-59
Poor	Below 50

- In case, a particular indicator is not applicable to a CPSE, the same may be mentioned in the format along with justification for non-applicability and the score may be calculated after excluding the marks of that indicator and the marks may be pro-rata calculated for arriving at total score out of 100.

In view of what have been stated in the format above, NRL will be evaluated against a total of 79 marks.
