

# Corporate Governance Report

## Governance Philosophy

**Aditya Birla Nuvo Limited** is committed to the adoption of best practices of corporate governance and its adherence in true spirit, at all times. Our governance practices are a product of self-desire, reflecting the culture of trusteeship that is deeply ingrained in our value system and reflected in our strategic thought process. At a macro level, our governance philosophy rests on five basic tenets, viz., Board accountability to the Company and shareholders, strategic guidance and effective monitoring by the Board, protection of minority interests and rights, equitable treatment of all shareholders as well as superior transparency and timely disclosures.

In line with this philosophy, your Company, a flagship company of the Aditya Birla Group, is striving for excellence through adoption of best governance and

disclosure practices. The Company, as a continuous process, strengthens the quality of disclosures, on the Board composition and its functioning, remuneration paid and level of compliance with various Corporate Governance Codes.

Your Company continuously strives to achieve excellence in corporate governance through its values – Integrity, Commitment, Passion, Seamlessness and Speed.

## Compliance with Corporate Governance Guidelines

In terms of Regulations 34 and 53 read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR)], the details of compliances for the year ended 31<sup>st</sup> March, 2016 are as follows:

## BOARD OF DIRECTORS

### Composition of the Board

As on 31<sup>st</sup> March, 2016, your Company's Board comprised of 8 (Eight) Directors, which included 4 (Four) Independent Directors, 3 (Three) Non-Executive Directors (including a Nominee Director of LIC) and 1 (One) Executive Director. The Chairman of the Board is a Non- Executive Director. The composition of your Board is in conformity with the requirements of Regulation 17(1) of the SEBI (LODR) as well as the Companies Act, 2013 ("the Act"). Your Directors on the Board are experienced, competent and highly renowned persons in their respective fields. None of the Independent Directors serve as "Independent Director" in more than seven listed companies and the tenure of their appointment is in accordance with the Companies Act, 2013 and rules made thereunder.

All the Directors are liable to retire by rotation except the 4 (Four) Independent Directors whose term of 5 consecutive years was approved by the shareholders of the Company in the Annual General Meeting held on 11<sup>th</sup> September, 2014.

The details of the Directors with regards to their other directorships and positions held in the Committees as on 31<sup>st</sup> March, 2016 are as follows:

Name of the Director	Executive/ Non-Executive/ Independent <sup>1</sup>	No. of Outside Directorship(s) in other Indian Public Companies <sup>2</sup>	Outside Committee Positions Held <sup>3</sup>	
			Member	Chairman/ Chairperson
Mr. Kumar Mangalam Birla (DIN:00012813)	Non-Executive	8	—	—
Mrs. Rajashree Birla (DIN:00022995)	Non-Executive	7	—	—
Mr. P. Murari (DIN:00020437)	Independent	7	2	3
Mr. B. R. Gupta (DIN:00020066)	Independent	8	4	5

Name of the Director	Executive/ Non-Executive/ Independent <sup>1</sup>	No. of Outside Directorship(s) in other Indian Public Companies <sup>2</sup>	Outside Committee Positions Held <sup>3</sup>	
			Member	Chairman/ Chairperson
Ms. Tarjani Vakil (DIN:00009603)	Independent	9	5	4
Mr. S. C. Bhargava (DIN:00020021)	Independent	8	6	1
Mr. G. P. Gupta <sup>4</sup> (DIN:00017639)	Independent	Not Applicable		
Mr. Lalit Naik (DIN:02943588)	Managing Director	3	2	—
Mr. Sushil Agarwal <sup>5</sup> (DIN:00060017)	Whole- time Director	Not Applicable		
Mr. Tapasendra Chattopadhyay <sup>6</sup> (DIN:00041581)	Non Executive (Nominee Director of LIC)	—	—	—

**Notes:**

- <sup>1</sup> Independent Director means a Director as defined under Regulation 16 (1) (b) of SEBI LODR and in Section 149 of the Act.
- <sup>2</sup> Excluding Directorships held in foreign companies and companies under Section 8 of the Act.
- <sup>3</sup> Only two committees viz. the Audit Committee and the Stakeholders Relationship Committee of all public limited companies have been considered.
- <sup>4</sup> Mr. G. P. Gupta has resigned as a Director of the Company with effect from 9<sup>th</sup> November, 2015
- <sup>5</sup> Mr. Sushil Agarwal has relinquished the office of the Whole- time Director & CFO of the Company from the close of business hours on 30<sup>th</sup> June, 2016
- <sup>6</sup> Mr. Tapasendra Chattopadhyay has ceased to be a Director of the Company w.e.f. 7<sup>th</sup> April, 2016, consequent to the withdrawal of his nomination by LIC
- <sup>7</sup> No Director is related to any other Director on Board, except Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla, who are related as son and mother, respectively.

**Non-Executive Directors' Compensation and Disclosure**

Sitting fees for attending the meetings of the Board / Committees and Commission paid to the Non-Executive Directors and the Independent Directors have been recommended by the Nomination and Remuneration Committee of the Board and approved by the Board of Directors. The Commission paid is within the overall limits as approved by the shareholders.

Details of the Sitting fees / Commission paid to such Directors are given separately in this Report.

**Board's Functioning and Procedure**

The Company's Board of Directors plays a primary role in ensuring good governance and functioning of the Company. The Board's role, functions, responsibilities and accountabilities are well defined. All relevant information is regularly placed before the Board. The Board reviews compliance reports of all laws as applicable to the Company, as well as steps taken by the Company to rectify

instances of non-compliances, if any. The members of the Board have complete freedom to express their opinion and decisions are taken after detailed discussions.

The Board meets at least once every quarter to review the quarterly results and other items on the agenda and additional meetings are held as and when necessary.

Six Board meetings were held during the year ended 31<sup>st</sup> March, 2016. The details of the Board meetings held during the year under review, dates on which held and number of Directors present are as follows:

Date of Board Meeting	Board Strength	No. of Directors Present
3 <sup>rd</sup> May, 2015	10	10
14 <sup>th</sup> May, 2015	10	9
9 <sup>th</sup> July, 2015	9	9
12 <sup>th</sup> August, 2015	9	8
9 <sup>th</sup> November, 2015	8	7
11 <sup>th</sup> February, 2016	8	7

Your Company's Board plays a pivotal role in ensuring good governance and functioning of your Company. The Directors are professionals, having expertise in their respective functional areas and bring a wide range of skills and experience to the Board.

The Board has an unfettered and complete access to any information within your Company. Members of the Board have complete freedom to express their views on agenda items and can discuss any matter at the meeting with the permission of the Chairman. The Board periodically reviews all the relevant information, which is required to be placed before it pursuant to Schedule II-PART A of the

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and that of the Listing Agreement with the stock exchanges and in particular reviews and approves corporate strategies, business plans, annual budgets, projects and capital expenditure, etc. The Board provides direction and exercises appropriate control to ensure that your Company is managed in a manner that fulfils stakeholder's aspirations and societal expectations.

In addition to the quarterly meetings, the Board also meets to address specific needs and business requirements of your Company.

The details of attendance of each Director at the Board meetings and at the last Annual General Meeting (AGM) are as follows:

Name of Director	Category	No. of Board Meetings		Attended Last AGM <sup>@</sup>	Sitting fees paid (Amount in ₹)
		Held	Attended		
Mr. Kumar Mangalam Birla	Non- Executive	6	6	No	3,00,000
Mrs. Rajashree Birla	Non-Executive	6	3	No	1,50,000
Mr. P. Murari	Independent	6	6	No	3,00,000
Mr. B. R. Gupta	Independent	6	6	Yes	3,00,000
Ms. Tarjani Vakil	Independent	6	5	Yes	2,50,000
Mr. S. C. Bhargava	Independent	6	6	Yes	3,00,000
Mr. G. P. Gupta <sup>*</sup>	Independent	4	4	No	2,00,000
Mr. Lalit Naik	Managing Director	6	6	Yes	-
Mr. Sushil Agarwal <sup>#</sup>	Whole- time Director	2	2	No	-
Mr. Tapasendra Chattopadhyay <sup>^</sup>	Non Executive	6	6	No	3,00,000

<sup>@</sup> AGM held on 15<sup>th</sup> September 2015 at the registered office of the Company-Indian Rayon Compound, Veraval

<sup>\*</sup> Mr. G. P. Gupta resigned as a Director of the Company with effect from 9<sup>th</sup> November, 2015.

<sup>#</sup> Mr. Sushil Agarwal has relinquished the office of Whole Time Director and Chief Financial Officer of the Company from close of business hours on 30<sup>th</sup> June 2015.

<sup>^</sup> Ceased to be a Director of the Company w.e.f. 7<sup>th</sup> April, 2016, consequent to the withdrawal of his nomination by LIC.

### Code of Conduct

In compliance with Regulations 17(5) and 26(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 the Company has adopted a Code of Conduct for the Board Members and Senior Management Personnel (the "Code"). The Code is applicable to all the Board Members and Senior Management of the Company. All the Board Members and Senior Management Personnel have confirmed compliance with the Code. A declaration by Managing Director affirming the compliance of the Code of Conduct for Board Members and Senior

Management is annexed at the end of the Report. The Code is available on the Company's website.

### Board training and Induction

A formal letter of appointment together with an induction kit is provided to the Independent Directors at the time of their appointment stating out their roles, functions, duties and responsibilities. The Independent Directors are familiarised with your Company's businesses and its operations. Interactions are held between the Independent Directors and senior management of your Company. The familiarization programme is available on the Company's website.

### Performance evaluation of Board

A formal evaluation mechanism has been adopted for evaluating the performance of the Board, the Committees thereof, individual directors and the Chairman of the Board. The evaluation is based on criteria which include, among others, providing strategic perspective, chairmanship of Board and Committees, attendance, time devoted and preparedness for the meetings, quality, quantity and timeliness of the flow of information between the Board members and the management, contribution at the meetings, effective decision making ability, role & effectiveness of the Committees. The outcome of the Board evaluation for the financial year 2015-16 has been shared with the Nomination and Remuneration Committee and the Board.

### Independent Directors meeting

In accordance with the provisions of Schedule IV of the Companies Act, 2013, Regulation 25 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SS 2.3 of the Secretarial Standards on Board Meetings a meeting of the Independent Directors of your Company was held on 14<sup>th</sup> March, 2016 without the presence of the Non-independent Directors and the members of the management. The Independent Directors discussed the matters inter alia including, the performance/functioning of the Company, reviewing the performance of the Chairman, taking into account the views of Executive Directors and Non-Executive Directors, assess the quality, quantity and timeliness of flow of information between the management and the Board of Directors that is necessary for the Board of Directors to effectively and reasonably perform their duties, etc.

### Prevention of Insider Trading

In terms of the provisions of the Securities and Exchange Board of India (Prevention of Insider Trading) Regulations, 2015 your Company has adopted the Code of Conduct for Dealing in Listed

Securities of Group Companies ("the Code"). The Code aims at preserving and preventing misuse of unpublished price sensitive information. All the Directors and Designated Employees of your Company have been covered under the Code. The said Code also provides for periodical disclosures from Directors and Designated Employees of your Company.

### COMMITTEES OF BOARD

Your Board has constituted the Committees with specific terms of reference as per the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Act. There are 8 such Committees of the Board as elaborated under and the said Committees meet at such frequency as is required to discharge the functions assigned to them.

#### 1) AUDIT COMMITTEE

##### Qualified Independent Audit Committee

The Company has an Audit Committee at the Board level with powers and role that are in accordance with Regulation 18 of SEBI LODR and Section 177 of the Act.

##### Composition of Audit Committee, its meetings and attendance at meetings during the year and sitting fees paid

The Audit Committee of the Board comprises of 4 (four) Independent Directors. As such, all the members of the Company's Audit Committee are Independent Directors and are financially literate. The composition of the Audit Committee meets the requirements of Section 177 of the Act and Regulation 18 of SEBI LODR.

During the year, the Audit Committee met 7 times to deliberate on various matters. The meetings were held on 3<sup>rd</sup> May, 2015, 14<sup>th</sup> May 2015, 12<sup>th</sup> August 2015, 9<sup>th</sup> November 2015, 22<sup>nd</sup> December 2015, 11<sup>th</sup> February 2016 and 14<sup>th</sup> March 2016.

The composition, attendance and sitting fees paid are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (Amount in ₹)
		Held	Attended	
Ms. Tarjani Vakil (Chairperson)	Independent	7	7	1,75,000
Mr. P. Murari	Independent	7	7	1,75,000
Mr. B. R. Gupta	Independent	7	7	1,75,000
Mr. G. P. Gupta <sup>1</sup>	Independent	3	3	75,000
Mr. S.C Bhargava <sup>2</sup>	Independent	3	3	75,000

<sup>1</sup> Ceased to be a member of the Audit Committee consequent to his resignation as a Director w.e.f. 9<sup>th</sup> November, 2015

<sup>2</sup> Appointed as a member of the Committee w.e.f. 9<sup>th</sup> November, 2015

Ms. Tarjani Vakil Chairperson of the Committee and was present at the last AGM held on 15<sup>th</sup> September, 2015

### Permanent Invitees

Mr. Lalit Naik - Managing Director  
Mrs. Pinky Mehta - Chief Financial Officer

The Statutory and Internal Auditors of your Company are invited to attend the Audit Committee meetings.

The Committee and the Company also engages outside experts and advisors to the extent it considers appropriate to assist in its functioning.

The representatives of the Cost Auditors are invited to attend the Audit Committee meetings whenever matters relating to Cost Audit are considered.

The Company Secretary acts as the Secretary to the Committee.

The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process.

The Audit Committee monitors and supervises your Company's financial reporting process with a view to provide accurate, timely and proper disclosure and maintain the integrity and quality of financial reporting.

The Audit Committee also reviews from time to time, the audit and internal control procedures, the accounting policies of your Company, oversight of your Company's financial reporting process so as to ensure that the financial statements are correct, sufficient and credible.

### Powers

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

### Role

1. 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.
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company.
3. Approval of payment to statutory auditors

for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
  - b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;
  - d. Significant adjustments made in the financial statements arising out of audit findings;
  - e. Compliance with listing and other legal requirements relating to financial statements;
  - f. Disclosure of any related party transactions;
  - g. Qualifications in the draft audit report;
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
8. Approval or any subsequent modification of transactions of the company with related parties.
9. Scrutiny of inter-corporate loans and investments.

10. Valuation of undertakings or assets of the company, wherever it is necessary.
11. Evaluation of internal financial controls and risk management systems.
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
13. Reviewing the adequacy of internal audit function, if any, 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.
14. Discussion with internal auditors of any significant findings and follow up there on.
15. 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.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
17. 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.
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

### Audit Committee reviews the following information

1. Management Discussion and Analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors, if any;
4. Internal audit reports and discussion with the Internal Auditors on any significant findings and follow-up thereon;
5. The appointment, removal and terms of remuneration of the Internal Auditor.

During the year, the Audit Committee has reviewed the internal controls put in place to ensure that the accounts of your Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control system of your Company. The Committee has also reviewed the procedures laid down by your Company for assessing and managing the risks.

## 2) NOMINATION AND REMUNERATION COMMITTEE

### Composition, meetings, attendance during the year and sitting fees paid

The Committee comprises of 2 (two) Independent Directors and 1 (one) Non Executive Director. Ms. Tarjani Vakil, an Independent Director, is the Chairperson of the Committee and was present at the last Annual General Meeting of the Company held on 15<sup>th</sup> September, 2015.

During the year, the Committee met four times to deliberate on various matters. The meetings were held on 3<sup>rd</sup> May, 2015, 14<sup>th</sup> May, 2015, 9<sup>th</sup> November, 2015 and 9<sup>th</sup> January 2016.

The composition, attendance and sitting fees paid are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (Amount in ₹)
		Held	Attended	
Mr. Kumar Mangalam Birla	Non Executive	4	2	40,000
Ms. Tarjani Vakil (Chairperson)	Independent	4	4	80,000
Mr. B. R. Gupta	Independent	4	4	80,000

### Terms of reference of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee is authorized to:

- set the level and composition of remuneration which is reasonable and sufficient to attract, retain and motivate directors and Senior Managers of the quality required to run the Company successfully;
- set the relationship of remuneration to performance;
- check whether the remuneration provided to directors and Senior Managers includes a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- formulate appropriate policies, institute processes which enable the identification of individuals who are qualified to become Directors and who may be appointed in senior management and recommend the same to the Board;
- review and implement succession and development plans for Managing Director, Executive Directors and Senior Managers;
- devise a policy on Board diversity;
- formulate the criteria for determining qualifications, positive attributes and independence of directors
- decide whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

### Employee Stock Options Scheme – 2006 (“ESOS-2006”)

During the year, 843 Stock Options were vested on 7<sup>th</sup> June, 2015 in the eligible employee, subject to the provisions of the Employee Stock Options Scheme – 2006, statutory provisions including Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 as may be applicable from time to time and the rules and procedures set out by your Company in this regard. Further, the Committee allotted 62,331 equity shares of ₹ 10/- each of your Company to Option Grantees pursuant to the exercise of Stock Options under the ESOS -2006.

### Employee Stock Options Scheme – 2013 (“ESOS-2013”)

During the year under review, 23,652 Stock Options have vested in the grantees in terms of the provisions of the Employees Stock Option Scheme 2013, statutory provisions including Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 as may be applicable from time to time and the rules and procedures set out by your Company in this regard.

Further, the Committee has allotted 23,334 equity shares of ₹ 10/- each of your Company to Option Grantee pursuant to the exercise of Stock Options under the ESOS -2013.

#### Composite Scheme of Arrangement

Consequent to the Composite Scheme of Arrangement of the branded apparel business having become effective on 9<sup>th</sup> January, 2016, the Grant Price and related plan elements in respect of the Stock Options and the Restricted Stock Units granted by the Company under ESOS – 2013 to the eligible employees, have been suitably treated so as to ensure fair and equitable treatment for the concerned employees.

#### **Remuneration Policy**

Your Company has adopted Executive Remuneration Philosophy/Policy and follows the same. The Policy has been published in this Annual Report as an Annexure to the Directors' Report.

### **3) RISK MANAGEMENT COMMITTEE**

Risk Management is the process that can contribute progressively to organisational improvement by providing management with a greater insight into risks and their impact. The Company has a robust Risk Management framework which proactively addresses risks and seizes opportunities so as to gain competitive advantage, and protects and creates value for our stakeholders, including owners, employees, customers, regulators, and society overall.

Considering the market capitalization and post demerger of Apparel business, as a good governance, the Company continues with Risk Management Committee.

In terms of the regulations of SEBI LODR, considering the market capitalization post

demerger of Apparel business, as a good governance, the Company continues with Risk Management Committee, your Company has constituted the Risk Management Committee to review, identify and to develop risk mitigation strategies.

The objectives and scope of the Risk Management Committee broadly include:

- Identification of risks relating to business;
- Assessment and classification of risks associated with the business;
- Mitigation plans to minimize risks;

- Monitoring various risks

The Management Discussion and Analysis Report sets out the risks identified and the mitigation plans thereof.

The Risk Management Committee comprises of 2 (two) Independent Directors, 1 (one) Executive Director and 2 (two) Business Executives.

During the year, the Risk Management Committee met twice to deliberate on various matters. The meetings were held on 17<sup>th</sup> December, 2015 and 22<sup>nd</sup> December, 2015.

The composition, attendance and sitting fees paid to the non-executive Directors are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (Amount in ₹)
		Held	Attended	
Ms. Tarjani Vakil (Chairperson)	Independent	2	2	40,000
Mr. S C Bhargava	Independent	2	2	40,000
Mr. Lalit Naik	Managing Director	2	1	-

#### 4) STAKEHOLDERS RELATIONSHIP COMMITTEE

##### Composition, meetings, attendance and sitting fees paid during the year:

The Stakeholders Relationship Committee comprises of 2 (two) Independent Directors and 1 (one) Executive Director.

During the year the Stakeholders Relationship Committee met on 22<sup>nd</sup> December, 2015 and 14<sup>th</sup> March, 2016. The composition, attendance and sitting fees paid are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (Amount in ₹)
		Held	Attended	
Mr. S. C. Bhargava (Chairman)	Independent	2	2	40,000
Ms. Tarjani Vakil	Independent	2	2	40,000
Mr. Lalit Naik	Managing Director	2	1	-

Mr. S. C. Bhargava chaired the meetings of the Committee and he was present at the last Annual General Meeting of the Company held on 15<sup>th</sup> September, 2015.

The Company Secretary acts as Secretary to the Committee and is the Compliance Officer of the Company and also responsible for redressal of investor complaints.

Your Company's shares are compulsorily traded in the dematerialised form. To expedite transfers in the physical segment, necessary authority has been delegated by your Board to the Directors and the Officers of your Company to approve transfers / transmissions of shares / debentures. Details of share transfers / transmissions approved by the Directors and Officers are placed before the Board.

##### Role

The terms of reference of the Committee are:

- To monitor expeditious redressal of grievances of the Stakeholders and Investors complains relating to shareholders / debenture holders including complaints relating to transfer / transmission of shares / debentures etc.
- To approve allotment of shares, debentures and other securities
- To authorize officers of the Company to approve request transfer, transposition, deletion, consolidation, sub-division, in respect of shares, debentures and securities.



- To ensure compliance of transfer of Unpaid Dividend to IEPF on or before the due date
- To monitor the progress of release of unpaid dividend and process of dissemination of these records in accordance with the prescribed guidelines, rules and regulations
- To review the results of any investigation / audit conducted by any statutory authority

**Number of shareholders' complaint received so far / number not solved to the satisfaction of shareholders / number of pending complaints**

Details of complaints received, number of shares transferred during the year, time taken for effecting these transfers and the number of share transfers pending are furnished in the "Shareholder Information" section of this Annual Report.

**Details of non-compliance by the Company, penalties and strictures imposed on the Company by stock exchanges or SEBI or any other statutory authority, on any matter relating to capital markets, during the last three years:**

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no strictures /penalties have been imposed on the Company by the stock exchanges or the Securities and Exchange Board of India (SEBI) or any other statutory authority.

**5) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

**Composition, meetings, attendance and sitting fees paid during the year:**

In terms of the provisions of Section 135 of the Act and the Listing Agreement, your Company has constituted the Corporate Social Responsibility Committee at the Board level.

The Corporate Social Responsibility Committee comprises of 1 (one) Independent Director, 1 (one) Non Executive Director and 1 (one) Executive Director. Dr. Pragnya Ram, Group Executive President, Corporate Communications & CSR is a permanent invitee.

During the year the Corporate Social Responsibility Committee met once. The meeting was held on 16<sup>th</sup> December, 2015

The composition, attendance and sitting fees paid are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (Amount in ₹)
		Held	Attended	
Mrs. Rajashree Birla (Chairperson)	Non Executive	1	1	20,000
Ms. Tarjani Vakil	Independent	1	1	20,000
Mr. Lalit Naik	Managing Director	1	1	-

Mrs. Rajashree Birla chaired the meeting of the Committee. The Company Secretary acts as Secretary to the Committee.

The Committee recommends to the Board the activities to be undertaken during the year and amount to be spent on these activities.

During the year, your Company has carried out various activities as part of its CSR initiative. The focus areas have been health care, education, sustainable livelihood, infrastructure and social reform.

**6) FINANCE COMMITTEE**

Your Company has "Finance Committee" comprising of Ms. Tarjani Vakil, Mr. S. C. Bhargava and Mr. Lalit Naik as its members.

Ms. Tarjani Vakil chaired the meetings of the Committee. The Committee looks into the borrowings, if any, to be made from fund and non fund based limits for the business requirements of the Company, authorises officers to undertake the foreign currency contracts for hedging its foreign currency liabilities/ transactions, authorises Officers of the Company to open/operate/close bank accounts, approves the grant and execution of Power of Attorneys to the Officers of the Company, besides the other powers granted to it by the Board from time to time.

During the year under review, the Committee met once on 22<sup>nd</sup> December, 2015 to deliberate on various matters referred above.

The composition, attendance and sitting fees paid are as follows:

Name of Director	Category	No. of meetings		Sitting fees paid (Amount in ₹)
		Held	Attended	
Ms. Tarjani Vakil	Independent	1	1	20,000
Mr. S. C. Bhargava	Independent	1	1	20,000
Mr. Lalit Naik	Managing Director	1	0	-

#### 7) MADURA DEMERGER COMMITTEE:

Your Board had constituted "Madura Demerger Committee" comprising of Ms. Tarjani Vakil, Mr. S. C. Bhargava and Mr. Lalit Naik as its members. Ms. Tarjani Vakil Chaired the meeting of the Committee.

The Committee was authorised to look in matters pertaining to the implementation of the Composite Scheme of Arrangement between the Company, Madura Garments Lifestyle

Retail Company Limited and Aditya Birla Fashion and Retail Limited (formerly known as Pantaloons Fashion and Retail Limited) ("the Scheme") and to consider and approve matters pertaining thereto.

During the year under review, the Committee had met on 9<sup>th</sup> January, 2016 to make the Scheme effective upon receipt of the requisite approvals from the regulatory authorities.

The composition, attendance and sitting fees paid are as follows:

Name of Director	Category	No. of meetings		Sitting fees paid (Amount in ₹)
		Held	Attended	
Ms. Tarjani Vakil	Independent	1	1	20,000
Mr. S. C. Bhargava	Independent	1	1	20,000
Mr. Lalit Naik	Managing Director	1	-	-

#### 8) ABNL AMALGAMATION COMMITTEE:

Your Board had constituted "ABNL Amalgamation Committee" comprising of Ms. Tarjani Vakil, Mr. S. C. Bhargava and Mr. Lalit Naik as its members.

Ms. Tarjani Vakil Chaired the meeting of the Committee. The Committee was authorised to look in matters pertaining to the implementation of the Scheme of Amalgamation of, ABNL IT &

ITES Limited, Aditya Birla Minacs BPO Pvt. Limited and Indigold Trade & Services Limited, subsidiaries of the Company, with the Company, under the provisions of Sections 391 - 394 of the Companies Act, 1956.

During the year under review, the Committee had met on 31<sup>st</sup> March, 2016 to make the Scheme effective upon receipt of requisite approvals from the regulatory authorities.

The composition, attendance and sitting fees paid are as follows:

Name of Director	Category	No. of meetings		Sitting fees paid (Amount in ₹)
		Held	Attended	
Ms. Tarjani Vakil	Independent	1	1	20,000
Mr. S. C. Bhargava	Independent	1	1	20,000
Mr. Lalit Naik	Managing Director	1	-	-

#### 9) MEETING OF INDEPENDENT DIRECTORS:

Pursuant to the provisions of Section 149 read with Schedule IV of the Companies Act, 2013 and Regulation 25 (4) of the SEBI (Listing Obligations and Disclosure Requirements)

Regulations, 2015 the Independent Directors of the Company had met on 14<sup>th</sup> March, 2016 without the presence of the Non- Independent Directors, Managing Director & members of the Management Team.

### **Vigil Mechanism / Whistle Blower Policy**

The Company has in place a Vigil Mechanism under which a Committee has been appointed comprising of Directors and Senior Managers of the Company for attending the complaints received from the employees and to report concerns about the unethical behaviour, actual or suspected fraud and violation of the Code of Conduct or Ethics Policy by the Directors and the employees of the Company. The Policy provides for adequate safeguards against victimisation and all personnel have access to the Audit Committee.

The Policy is in line with the Company's Code of Conduct, Vision and Values and forms part of good Corporate Governance and is available to all the employees on the Aditya Birla Group Intranet.

### **Subsidiary Companies**

The Audit Committee reviews the consolidated financial statements of the Company and investments made by its unlisted subsidiary companies. The minutes of the board meetings along with a report on significant developments of the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company.

## **RELATED PARTY TRANSACTIONS**

During the financial year, your Company has entered into related party transactions which were on arm's length basis and in the ordinary course of business. There are no material transactions with any related party as defined under Section 188 of the Act. All related party transactions have been approved by the Audit Committee of your Company.

Particulars of related party transactions are listed out in Note 41 of the Accounts.

The policy on Related Party Transactions as approved by the Audit Committee and the Board is available on your Company's website viz. [www.adityabirlanuvo.com](http://www.adityabirlanuvo.com).

## **DISCLOSURES**

Pursuant to SEBI LODR, your Company has in place the following:-

1. Code of Conduct for Directors and Senior Management Personnel
2. Code of Conduct for SEBI (Prohibition of Insider Trading), Regulations, 2015
3. Policy for Preservation of Documents
4. Policy for determination of materiality of an event or information and for making disclosures

5. Policy for determining Material Subsidiary companies. The same is available on the Company's website.
6. Code of Conduct for making disclosures to the Stock Exchanges for fair disclosure of unpublished price sensitive information

### **Disclosure of accounting treatment**

Your Company has followed all relevant Accounting Standards while preparing the financial statements.

### **Management:**

- The Management Discussion and Analysis forms part of the Annual Report and are in accordance with the requirements laid out in Clause 34(2) (e) of the SEBI LODR.
- No material transaction has been entered into by the Company with the Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have a potential conflict with interests of the Company.
- Your Company has instituted a comprehensive Code of Conduct in compliance with the SEBI regulations on prevention of insider trading.

### **Proceeds from Public Issues, Right Issues, Preferential Issues etc.:**

The Company discloses to the Audit Committee, the uses/applications of proceeds/funds raised from public issues, private placement of non-convertible debentures, preferential issue, etc., if any, as part of quarterly review of financial results.

### **Remuneration of Directors:**

The Company has a system where all the directors and senior management of the Company are required to disclose all pecuniary relationship or transactions with the Company. No significant material transactions have been made with the Non- Executive Directors vis-à-vis the Company.

Besides sitting fees @ of ₹ 50,000/- per meeting of the Board and @ of ₹ 25,000/- per meeting of the Audit Committee and @ of ₹ 20,000/- per meeting of the other Committees thereof, the Company also pays commission to the Non-Executive Directors of the Company.

For the Financial year 2015-16, considering the financial performance of the Company, the Board has decided to pay commission of ₹ 2.85 Crore (Previous Year: ₹ 4.50 Crore) to the Non-Executive Directors of the Company, which is within the limit of 1% of the net profits of the Company, and

pursuant to the authority given by the Shareholders at the Annual General Meeting of the Company held on 15<sup>th</sup> September, 2015. The amount of commission payable to the Non-Executive Directors is determined after assigning weightage to attendance and contribution (Board and Committee Meetings), type and significance of

meetings and preparations required, time spent, etc. Based on the performance evaluation of the Directors and the remuneration policy, the amount of commission payable has been fixed by the Board. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

**Details of remuneration, shareholding of the non-executive directors and the sitting fees paid to the Directors for attending the meetings of Board and the Board Committees in the financial year 2015-16 are as follows:**

Name of the Director	Commission Payable (Amount ₹ in lakh)	Sitting Fees Paid (Amount ₹ in lakh)	No. of Shares held
Mr. Kumar Mangalam Birla	261.10	3.40	4,609
Mrs. Rajashree Birla	8.10	1.70	127,634
Ms. Tarjani Vakil	3.60	6.65	177
Mr. P. Murari	3.25	4.75	-
Mr. B. R. Gupta	3.40	5.55	-
Mr. S. C. Bhargava	2.40	5.15	233
Mr. G. P. Gupta <sup>\$</sup>	1.30	2.75	339
Mr. T. Chattopadhyay <sup>#</sup> (Commission to be paid to LIC)	1.85	3.00	-

<sup>\$</sup> Resigned w.e.f. 9<sup>th</sup> November, 2015

<sup>#</sup> Resigned w.e.f. 7<sup>th</sup> April, 2016

The details of remuneration paid to the Managing Director/ Whole-time Director is as follows:

(Amount ₹ in Lakh)

Managing Director / Whole - time Director	No of Shares held	Remuneration during 2015-16			
		All elements of remuneration package i.e. salary, benefits, stock option, pensions etc.	Performance linked, incentives along with performance criteria	Service contracts, notice period, severance fee	Stock option details, if any
Mr. Lalit Naik	87	331.89	148.96	See note	See note (5)
Mr. Sushil Agarwal*	23,025	381.97*	75.08	(3 & 4)	

\* Relinquished the office of the Whole Time Director & CFO from the close of business hours on 30<sup>th</sup> June, 2015. The remuneration includes ₹ 231.64 Lakhs on account of exercise of stock options.

**Notes:**

- No Director is related to any other Director on the Board, except for Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla, who are son and mother, respectively.
- The Company has a policy of not advancing any loans to its Directors except to Executive Directors in the course of normal employment.
- The appointment of Executive Director is subject to termination by three months' notice in writing by either side.
- No severance fees are paid to any Director of the Company.
- In terms of your Company's Employee Stock Option Scheme - 2013 ("ESOS-2013"), during the Financial Year 2015-16, 14,628 Stock Options have vested in Mr. Lalit Naik.
- Performance Review System is primarily based on competencies and values. The Company closely monitors growth and development of top talent in the Company to align personal aspiration with the organization's purpose.

All decisions relating to the remuneration of the Managing Director and the Whole time Director is taken by the Board based on the remuneration policy and in terms of the resolution passed by the shareholders of your Company.

### CEO/ CFO Certification:

The Managing Director and the Chief Financial Officer of your Company have issued necessary certificate pursuant to the provisions of Regulation 33 (2) (a) of the SEBI LODR and the same is attached and forms part of the Annual Report.

### REPORT ON CORPORATE GOVERNANCE

The Corporate Governance Report forms part of the Annual Report. Your Company complies with the provisions of Regulation 34 of the SEBI LODR.

### COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Company has complied with the corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the SEBI LODR

### WEBSITE DISCLOSURES

The information as required to be disseminated on the website of the Company pursuant to clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the SEBI LODR, has been updated on the website of the Company-[www.adityabirlanuvo.com](http://www.adityabirlanuvo.com)

### COMPLIANCE CERTIFICATE

Compliance Certificate from the Statutory Auditors confirming compliance with all the conditions of Corporate Governance as stipulated in Regulation

The date and time of such meetings held during the last three years, and the special resolution(s) passed thereat, are as follows:

Year	AGM/EGM	Date	Time	Special Resolution Passed
2012-13	AGM	6 <sup>th</sup> September, 2013	11:30 A.M.	Yes <sup>1</sup>
2013-14	AGM	11 <sup>th</sup> September, 2014	11:30 A.M.	Yes <sup>2</sup>
2014-15	AGM	15 <sup>th</sup> September, 2015	11:30 A.M.	Yes <sup>3</sup>
2015-16	Court Convened Meeting	8 <sup>th</sup> September, 2015	11.30 A.M.	Resolution passed approving the arrangement embodied in the Composite Scheme of Arrangement in respect of the Apparel Business of the Company <sup>4</sup>

<sup>1</sup> For approval of terms of Appointment and Remuneration of Whole-time Director(s) and approval of Employee Stock Options Scheme-2013 for the benefit of the employees of the Company and its Subsidiaries.

<sup>2</sup> For approval of terms of Remuneration to Non-Executive Directors and approval of the offer or invitation to subscribe to Non Convertible of Appointment of Whole-time Director(s) liable to retire by rotation and approval of payment of Debentures on a private placement basis.

<sup>3</sup> For approval of offer or invitation to subscribe to Non-Convertible Debentures on a private placement basis and appointment of M/s. Sharepro Services (India) Pvt. Ltd. as the Company's Registrars and Share Transfer Agents.

<sup>4</sup> For approval of the Composite Scheme of Arrangement amongst Aditya Birla Nuvo Limited and Madura Garments Lifestyle Retail Company Limited and Pantaloons Fashion & Retail Limited and their respective shareholders and creditors under Sections 391 and 394 and other relevant provisions of the Companies Act, 1956.

34 read with Schedule V (E) of the SEBI LODR forms part of the Annual Report.

### Details of new Directors and Directors seeking re-appointment:

The Company has provided the details of new Director and Directors seeking appointment / re-appointment in the Notice of the Annual General Meeting.

Quarterly Presentations on the Company results are available on the website of your Company ([www.adityabirlanuvo.com](http://www.adityabirlanuvo.com) / [www.adityabirlanuvo.co.in](http://www.adityabirlanuvo.co.in)) and the Aditya Birla Group website ([www.adityabirla.com](http://www.adityabirla.com)). The results / press - release are sent to the concerned Stock Exchanges simultaneously so as to enable them to put the results and press-release on their notice board/ website. The Company also sends results / press - release by e-mail (wherever available) to shareholders immediately after the announcement of results.

### General Body Meetings:

Details of Annual General Meetings:

During the preceding three years, the Company's Annual General Meetings (AGMs) and also the Court Convened Meetings (CCM) were held at the Registered Office of the Company at Indian Rayon Compound, Veraval - 362 266, Gujarat.

**Postal Ballot & E-Voting:**

**Purpose:** To seek approval of the Public Shareholders for the Composite Scheme of Arrangement amongst Aditya Birla Nuvo Limited and Madura Garments Lifestyle Retail Company Limited and Pantaloons Fashion & Retail Limited

and their respective shareholders and creditors in accordance with the SEBI Circular No.s CIR/CFD/DIL/5/2013 dated February 4, 2013 and CIR/CFD/DIL/8/2013 dated May 21, 2013.

**Postal Ballot and E-Voting Period:**

August 8, 2015 to September 7, 2015

**Details of Voting: Postal Ballot and E-Voting by Public Shareholders**

No. of Shares held by Public Shareholders	No. of valid Votes polled	No. of Votes in favour	No. of Votes against
5,56,97,629	2,76,22,254	2,76,16,368	5,886

**Person who conducted the Postal Ballot exercise:** Mr. Bipin Makwana, Practising Company Secretary, Ahmedabad, was appointed to act as the scrutinizer for conducting the postal ballot and E-voting exercise.

**MEANS OF COMMUNICATION****Quarterly Results**

**Newspaper in which normally financial results are published in:**

Newspaper	Cities of Publication
Business Standard	All editions
Economic Times	All editions (Snapshot)
Western Times	Gujarati (Ahmedabad)

Website, where displayed the information. : [www.adityabirlanuvo.com](http://www.adityabirlanuvo.com)  
[www.adityabirla.com](http://www.adityabirla.com)

Whether it also displays official news releases : Yes

Presentations made to investors/analysts : Yes

Shareholders' Information : Published as a separate section in this report.

**Status of Compliance of Non-Mandatory Requirements:**

- 1) The Company maintains a separate office for the Non-Executive Chairman. All necessary infrastructure and assistance are made available to enable him to discharge his responsibilities effectively.
- 2) The position of the Chairman of the Board of Directors and the Managing Director are separate.
- 3) The Company's statutory financial statements are unqualified.
- 4) The Internal Auditor's report to the Audit Committee.
- 5) The quarterly, half-yearly and annual financial results of the Company are furnished to the Stock Exchanges and published in the newspapers as per the requirements of the SEBI LODR and the same are also posted on the website of the Company.