

FCS Code of Corporate Governance

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. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company is an important part of corporate governance. This improves public understanding of the structure, activities and policies of the organization. Consequently, the organization is able to attract investors, and to enhance the trust and confidence of the stakeholders. Corporate governance guidelines and best practices have evolved over a period of time and in India, are enshrined in clause 49 of the Listing Agreement.

The Corporate Governance philosophy of FCS Software Solutions Limited (the “**Company**”) is based on the following principles:

- i. Satisfaction of the spirit of the law through ethical business conduct;
- ii. Transparency and a high degree of disclosure levels;
- iii. Truthful communication about how the company is run internally;
- iv. A simple and transparent corporate structure driven solely by the business needs;
- v. Strict Compliance with Clause 49 of the Listing Agreement as amended from time to time;
- vi. Establishment of an efficient corporate structure for the management of the Company’s affairs;
- vii. Management is the trustee of the shareholder’s capital and not the owner.

1. Board of Directors

The Company believes that 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. An active, well –informed and independent board is necessary to ensure the highest standards of corporate governance.

1.1 Composition of the Board

The Board of Directors of the Company shall comprise of an optimum combination of executive and non-executive Directors. Fifty percent of the Board of Directors shall comprise of non – executive Directors. The Chairman of the Board shall be an Executive Director.

No Director shall be a member of more than 10 committees or act as Chairman of more than five committees across all companies in which he is a Director. The Directors shall inform the Company annually as to their other Directorships/ Chairmanships and shall promptly notify the Company of changes, if any.

1.2 Meetings of the Board

The Board shall meet at least four times a year (including on the occasion of the Annual General meeting of the shareholders of the Company) with a maximum time gap of 3 months between any two meetings. The dates of the Board Meetings shall be decided on at the beginning of the financial year. Directors shall be expected to attend at least 50% Board meetings in year. However, the Company recognizes that it may not be possible for each Director to be physically present at every meeting. The Company shall endeavour to effectively use its video/ teleconferencing facilities to facilitate the participation of these Directors.

1.3 Availability of Information to the Board

The Board shall have complete and unfettered access to any information within the Company. Such Information would include, but would not be limited to the following:

- 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 the 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 services such as non – payment of dividend, delay in share transfer etc.

1.4 Non – executive Director’s Discussions

The Board shall have separate meetings with non- executive Directors to update them on all business - related issues and new initiatives. In such meetings, the executive Directors and other Senior Management personnel may make presentations on relevant issues. In addition, the non - executive Directors may meet periodically in executive session, i.e. in the absence of the Chairman, any executive Director and management and the agenda for such meetings shall be fixed.

2. Board Committees

It is the general policy of the Company that the Board of Directors shall consider all major decisions. Thus, the Board Committees structure is limited to those Committees considered to be basic to, or required for, the operation of a publicly owned company.

The guidelines for the board Committees, viz, Audit Committee, Investor’s Grievances Committee, Compensation Committee, Corporate Governance committee are set out below.

The Board is responsible for constituting, assigning, co-opting and fixing terms of service for the Committee Members of various Committees and delegates these powers to the Committees. Recommendations of the Committees shall be submitted to the full Board for approval.

The frequency and agenda of meetings of each of these committees shall be determined by the chairman of the board/executive Director in consultation with the Chairmen of the concerned

committees. Unless specified elsewhere in this Code, the Committees shall meet as and when the need arises. Unless specified elsewhere in this Code, the quorum of the meetings shall be either 2 members or one third of the members of the Committee, whichever is higher.

2.1 Audit Committee

The primary objective of the Audit Committee of the company is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting.

The Audit Committee will also from time to time as may be required oversee the work carried out in the financial reporting process by the management, including the internal auditor and the statutory auditor and shall take note of the processes and safeguards employed by each. The Audit Committee shall have the power to investigate any activity within its terms of reference, seek information from any employee when necessary and obtain external legal or professional advice from experts when necessary.

The Audit Committee shall be a qualified and independent Audit Committee comprising minimum three directors as members. Two – thirds of the members of Audit Committee shall be independent directors. The members of Audit committee shall be financially literate. At least one member shall have accounting or related financial management knowledge. The Company Secretary shall be the Secretary of Audit Committee. The quorum shall be either two members or one third of the members of the audit committee whichever is greater; however, there shall be a minimum of two independent members present.

Responsibilities of the Audit Committee

The Audit Committee shall:

- (i) Recommend to the Board, the appointment, re – appointment and, if required the replacement or removal of the statutory auditor and the fixation of audit fees.
- (ii) Provide an open avenue of communication between the statutory auditor, internal auditor and Board;
- (iii) Meet at least 4 times every year or more frequently as the circumstances necessitate. The Audit Committee may invite such of the executives and representatives of the auditors of the Company, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee. However, the Audit Committee may also meet without the presence of any executives or representatives of the auditors of the Company;
- (iv) Confirm and assure the independence of the external auditor and objectivity of the internal auditor;
- (v) Review all related party transactions;
- (vi) Review 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;
- (vii) Review with the statutory auditor and the management the adequacy of the internal system and consider related findings and recommendations of the statutory auditor and internal auditor, together with the management's responses;
- (viii) Consider and pre-approve any non-auditing services that may be provided by the statutory auditor.
- (ix) Review and discuss with the management and statutory auditors the annual audited financial statements, including the disclosures under the "Management's discussion and analysis of financial condition and results of operations";
- (x) Review the company's financial and risk management policies;

- (xi) Review the functioning of the Whistle Blower Mechanism, if any;
- (xii) Review, in conjunction with the counsel, any legal matter that could have a significant impact on the Company's financial statements;
- (xiii) Consider and review with the management, internal auditor and statutory auditor significant findings during the year, including the status of previous audit recommendations;
- (xiv) Review, with the management, the annual financial statements 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 Boards report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - 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, and
 - g. Qualifications in the draft audit report.
- (xv) Review, with the management, the quarterly financial statements before submission to the Board for approval;
- (xvi) Discuss 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;
- (xvii) 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; and
- (xviii) Review the appointment, removal and terms of remuneration of the Chief internal auditor.

Relationship with statutory and internal auditors

The Audit Committee has the ultimate authority and responsibility to select, evaluate and if necessary, replace the statutory auditors in accordance with law. All possible measures must be taken by the Audit Committee to ensure objectivity and independence of the statutory auditors. These include:

- Reviewing the statutory auditor's proposed audit scope, approach and independence,
- Management letters / letters of internal control weaknesses issued by the statutory auditors, and
- Internal audit reports relating to internal control weaknesses.

2.2 Investor's Grievances Committee

The Investor's Grievance Committee shall comprise of a maximum of five members, majority of whom shall be Non – executive Directors. The Chairman shall be a Non-executive Director and the Company Secretary shall act as the Secretary to the Investor's Grievances Complaints such as transfer of shares, non – receipt of Annual Reports, non - receipt of dividend and allied matters. The Committee shall endeavor to meet at least four times a year.

2.3 Compensation/ Remuneration Committee

The Compensation Committee shall discharge the Boards responsibilities relating to compensation of the Company's Executive Directors. The Compensation Committee has overall responsibility for approving and evaluating director's compensation plans, policies and programmes of the Company .The Compensation committee shall also administer the Employee Stock Option Plan of the Company.

The Compensation Committee shall have at least three members, all of whom shall be Non- Executive Directors .The Chairman shall be a non-executive Director and the Company Secretary shall act as the Secretary to the Compensation Committee. The Committee shall meet as and when the need arises.

Responsibilities and authority of the Compensation Committee

1. The Compensation Committee shall review and approve for the executive directors of the Company:
 - The annual base salary,
 - Annual incentive bonus, if any,
 - Any other benefits, compensation or arrangements;
2. The Compensation Committee shall evaluate, and if necessary amend performance parameters of the executive directors;
3. The Compensation Committee may take recommendations to the Board in relation to incentive plans for the executive directors; and
4. Administer the ESOP scheme of the Company.

2.4 Corporate Governance Committee.

The Corporate Governance Committee shall monitor and ensure compliance with this Code. The Committee shall comprise of a majority of non- executive Directors. The chairman shall be non-executive Director and the Company Secretary shall act as the Secretary to the Corporate Governance Committee. The Corporate Governance Committee shall meet as and when the need arises.

Responsibilities of the Corporate Governance Committee

The Corporate Governance Committee shall carry out the following responsibilities:

- a) Evaluate the current composition, organisation and governance of the Board and its Committees, as well as determine future requirements and make recommendations in this regard to the Board for its approval;
- b) Recommend the appointment of such Directors on the Board who are of proven competence and have adequate professional experience;
- c) Oversee the evaluation of the Board;
- d) Recommend to the Board, Director nominees for each Committee of the Board;
- e) Coordinate and approve Board and Committee meeting schedules;

- f) Make regular reports to the Board on the matters listed herein and on such other matters as may be referred to it by the Board from time to time;
- g) Advise the Company on the best business practices being followed on corporate governance issues world – wide and to implement those in the Company appropriately;
- h) Appoint any outside agency to report on corporate governance matters;
- i) Appoint consultants in this regard and to obtain implement their advise, reports or opinions;
- j) Recommend to the Board the governance structure for management of affairs of the Company;
- k) Review and re- examine this charter annually and make recommendations to the Board for any proposed changes; and
- l) Annually review and evaluate its performance.

3. Annual Report

The company shall disclose in the “Corporate Governance” section of its Annual Report the following information:

3.1 Directors

The Company shall disclose all pecuniary relationships or transaction of the non-executive Directors viz – a –viz the Company in its Annual Report. Further, the remuneration of non –executive Directors shall be decided by the Board of Directors and appropriate disclosures on the remuneration of Directors shall also be made.

Further, in case of the appointment of a new Director or re- appointment of a Director, the shareholders shall be provided with a brief resume of the Director, the Nature of his expertise in specific functional areas and the names of companies in which the person also holds the Directorships and the membership of Committees of the Board.

The Company shall also provide information about the Board of Directors pertaining to the composition and category of Directors, for example – Promoter, Executive, Non-Executive, Independent Non- Executive, Nominee Director, which institution represented as Lender or as Equity investor; the number of Board meetings held dates on which the meetings are held, attendance of each Director at the Board meetings and the last Annual General Meeting and the number of other Boards or Board Committees he /she is a member or Chairperson of.

3.2 Audit Committee

The Company shall provide information regarding the number of Audit Committee meetings held dates on which such meetings are held , the attendance of each member-Director at the Audit Committee meetings and a brief description of the terms of reference of the Audit Committee.

3.3 Investor’s Grievances Committee

The Company shall also provide information pertaining to the number of Investor’s

Grievances Committee meetings held, dates on which the meetings were held, attendance of each member – Director at the Investor’s Grievances Committee meetings, name and designation of the Compliance Officer, brief description of the terms of reference of the Investor’s Grievances Committee, details of the complaints received and replied to satisfactorily during a financial year, number of complaints not satisfactorily resolved and the number of pending share transfers.

3.4 Compensation Committee

The Company shall provide information pertaining to the number of Compensation Committee meetings held, dates on which the meetings are held, attendance of each member – Director at the Compensation Committee meetings, a brief description of the terms of reference of the Compensation Committee, the remuneration policy, service contracts, notice period, sitting fees paid to the non - executives Directors and remuneration paid to the executive Directors during a financial year and severance fees, if any, payable to the executive and non - executive Directors of the Company.

3.5 Corporate Governance Committee

The Company shall provide information regarding the number of Corporate Governance Committee meetings held, dates on which such meetings are held, attendance of each member - Director at the Corporate Governance Committee meetings and a brief description of the terms of reference of the Corporate Governance Committee.

3.8 Other Disclosures

Keeping in view the general interests of the shareholders, the company shall provide the shareholders with the following information: -

1. Management discussion and analysis report;
2. Quarterly results shall be put on Company’s website. The Company shall also mention the names of the newspapers in which its financial results are generally published;
3. The Company Secretary in accordance with the powers delegated by the Board of Directors from time to time approve share transfers and transmissions on the basis of recommendations received from the Company’s Registrar and Share Transfer Agent - Intime Spectrum Registry Limited. The Company Secretary shall attend to share transfer formalities generally on a weekly basis. Intime Spectrum Registry Limited shall handle the jobs relating to de - materialisation and re – materialisation of shares in coordination with the two depositories - National Securities Depository Limited (“**NSDL**”) and Central Depository Services (India) Limited (“**CDSL**”) under the supervision of the Company Secretary;
4. Particulars of Annual General Meetings and Extraordinary General Meetings held during the previous three years; whether any Special Resolution was required to be passed at the last Annual General Meeting; whether any resolution was required to be put through postal ballot at the previous Annual General Meeting, procedure thereof and the person who conducted the postal ballot exercise; and whether any resolution is required to be put through postal ballot at the forthcoming Annual General meeting;
5. Disclosures on materially significant related party transactions;

6. Details of non – compliance by the Company by the Company, penalties, and /or restrictions imposed by the Stock Exchanges or SEBI or any statutory authority, on any matter related to the capital markets, during the previous three years;
7. Date, time and venue of the Annual General Meetings;
8. Financial Calendar;
9. Date of Book closure;
10. Dividend Payment date;
11. Listing on Stock Exchanges;
12. Stock Code;
13. Market Price Data: Highs and Lows during each month in the preceding financial year;
14. Performance in comparison to broad – based such as BSE Sensex, CRISIL index etc;
15. Registrars and Transfer Agents;
16. Share Transfer System;
17. Distribution of shareholding;
18. Dematerialisation of shares and liquidity;
19. Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity;
20. Plant Locations; and
21. Address for correspondence.