

## REPORT ON CORPORATE GOVERNANCE .

### 1. Company's Philosophy :

Corporate Governance is for ensuring values, ethical business conduct, transparency, disclosures as per laws, rules and guidelines to the highest extent. CIL is committed to observe Corporate Governance practices at different levels and to achieve its objectives.

### 2. Board of Directors :

As on 31<sup>st</sup> March, 2009, the Board of Directors comprised a full-time Chairman, 4 Functional Directors and 6 Non-Executive Directors ( including 2 Government Nominees and 4 Non-official Part-time Directors). During the year, 7 Board meetings were held on 29.4.2008, 10.6.2008, 11.7.2008, 08.9.2008, 13.11.2008, 11.12.2008 and 06.2.2009.

The composition of Directors and their attendance in the Board meetings during the year 2008-09 are as follows :-

Sl. No.	Name of the Director.	Category of Directorship	No. of Board meetings attended during 2008-09.	Attended at the last AGM	No. of other Directorship as on 31.3.2009.
1	Shri Partha S. Bhattacharyya	Chairman	7	Yes (Through Proxy)	NIL
2	Shri K. Ranganath	Director (Mktg.)	1	No	NIL
3	Shri S. Bhattacharya	Director (Finance)	7	Yes	2
4	Shri N. C. Jha	Director (Tech.)	6	No	2
5	Shri R.Mohan Das	Director(P&IR )	7	No	2
6	Dr. A. K. Sarkar	Director (Mktg.)	-	No	NIL
7	Dr. S.P.Seth	Non-Executive Director	3	Yes (Through Proxy)	NIL
8	Dr. Rajiv Sharma	Non-Executive Director	-	No	3
9	Shri Sanjiv Mittal	Non-Executive Director	7	Yes (Through Proxy)	8
10	Shri P.K.Banerji	Non-Executive Director	7	No	1

11	Shri Arvind Pande	Non-Executive Director	5	No	6
12	Shri S. Murari	Non-Executive Director	3	No	1
13	Prof. S.K.Barua	Non-Executive Director	3	No	4

### 3. Audit Committee

#### (a) Scope of Audit Committee :

The Scope of Audit Committee are as follows :-

1. Over seeing 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. Recommending to the Board the fixation of audit fees.
3. Recommendation to the Board for payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, 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 Directors Responsibility Statement to be included in the Board's 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 judgement by management;
  - d) Significant adjustments made in the financial statements arising out of audit findings;
  - e) Compliance with legal requirements relating to financial statements;
  - f) Disclosure of any related party transactions; and
  - 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, performance of internal auditors and adequacy of the internal control systems.
7. 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.
8. Discussion with internal auditor and / or auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors / auditors / agencies into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
10. 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.
11. Looking 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.
12. Reviewing the functioning of the Whistle Blower Mechanism.
13. Reviewing the follow up action on the audit observations of the C & A G audit.
14. Reviewing the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.
15. Providing an open avenue of communication between the independent auditor, internal auditor and the Board of Directors.
16. Reviewing and pre-approve all related party transactions in the company. For this purpose, the Audit Committee may designate a member who shall be responsible for pre-approving related party transactions.
17. Reviewing with the independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.
18. Considering and reviewing the following with the independent auditor and the management :

The adequacy of internal controls including computerized Information System Controls and security, and

Related findings and recommendations of the independent auditor and internal Auditor, together with the management responses.

19. Considering and reviewing the following with the management, internal auditor and the independent auditor.

Significant findings during the year, including the status of previous audit recommendations.

Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.

20. Reviewing the financial statements of the subsidiary companies.

**b) Composition :**

The Audit Committee held 6 (Six) meetings during the financial year 2008-09. The present Audit Committee was re-constituted on 18.12.2007, which consists of Shri P.K. Banerji as Chairman and other members are S/Shri Arvind Pande, Prof. S. K. Barua, S. Murari, Sanjiv Mittal, K. Ranganathan and Dr. A.K. Sarkar. Their attendance are as follows :-

<b>Name of the Directors</b>	<b>Status</b>	<b>No. of meetings attended</b>
1. Shri P.K. Banerji	Chairman	6
2. Shri Sanjiv Mittal	Member	3
3. Shri Arvind Pande	Member	2
4. Shri S. Murari	Member	5
5. Prof. S. K. Barua	Member	3
6. Shri K. Ranganath	Member	1
7. Dr. A.K. Sarkar	Member	--

The Company Secretary acts as Secretary to Audit Committee. Internal Audit Department provides necessary support for holding and conducting Audit Committee meeting.

#### 4. Empowered Sub-Committee for Evaluation Appraisal and Approval of Projects

An Empowered Sub-Committee for evaluation, appraisal and approval of the projects was re-constituted in accordance with the decision of the 238<sup>th</sup> Board meeting of CIL held on 18-12-2007, details of which are as under :-

<u>Name of the Directors</u>	<u>Status</u>	<u>No. of meetings attended</u>
1. Chairman, CIL.	Chairman	2
2. Director(Finance), CIL.	Member	2
3. Director(Technical), CIL.	Member	2
4. Jt. Secretary & FA, MOC.	Member	---
5. Shri Arvind Pande	Member.	1
6. Shri S. Murari	Member	2
7. CMD, CMPDIL.	Permanent Invitee.	2
8. CMD of Subsidiary Company, whose projects are under consideration.	Invitee	1

#### 5. General Body Meetings

Date, time and venue of the last 3 Annual General Meetings held are as under:-

<u>Financial Year .</u>	<u>Date.</u>	<u>Time .</u>	<u>Location .</u>
2007-2008	29-07-2008	11.30 A.M.	Coal Bhawan 10, N.S.Road. Kolkata-1
2006-2007	18-09-2007	3.00 P.M.	Coal Bhawan 10, N.S. Road Kolkata –1
2005-2006	13-09-2006	11.00 A.M.	Coal Bhawan 10, N.S.Road. Kolkata-1

## **6. Disclosures**

There were no transactions by the company of material nature with Promoters, Directors or the Management, their relatives, etc. that may have potential conflict with the interests of company at large. The Non-Executive Directors had no pecuniary relationships or transactions with the company during the year except receipt of sitting fees for attending meetings of the Board/Board Sub-committee. None of the Non-Executive Directors held any share of the Company.

## **7. Shareholding Pattern of CIL**

100% Shares of Coal India Ltd. is held by President of India.

## **8. Details of Subsidiaries of Coal India Ltd and its Location**

Coal India Ltd. is at present having Eight Subsidiaries. (Seven Coal Producing Companies and One Service Oriented Company). The Company's Subsidiaries are located at :

- (i) Eastern Coalfields Ltd, Sanctoria , Disergarh, West Bengal
- (ii) Bharat Coking Coal Ltd, Dhanbad, Jharkhand.
- (iii) Central Coalfields Ltd, Ranchi , Jharkhand.
- (iv) Western Coalfields Ltd., Nagpur, Maharashtra.
- (v) South Eastern Coalfields Ltd, Bilaspur, Chhatisgarh.
- (vi) Northern Coalfields Ltd, Singurali, Madhya Pradesh.
- (vii) Mahanadi Coalfields Ltd., Sambalpur, Orissa
- (viii) C.M.P.D.I. L, Ranchi, Jharkhand.

## **9. Code of Conduct.**

The Company has in place a Code of Conduct applicable to the Board Members as well as the Senior Management and the same has been hosted on the Company's website.

Further, all the Board Members of Coal India Limited and Senior Management Personnel have affirmed compliance with the code of conduct as on 31<sup>st</sup> March, 2009 except Addl. Secretary, Ministry of Coal ( official Part time Director of CIL Board) and Joint Secretary & FA, Ministry of Coal ( official Part time Director of CIL Board) .