

FAMILIARIZATION PROGRAM FOR INDEPENDENT DIRECTORS OF FENOPLAST LIMITED

This Familiarization Program (“the Program”) for Independent Directors of Fenoplast Limited (“the Company”) has been formulated pursuant to Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

1. Purpose

The Program aims to provide insights into the Company to enable the Independent Directors to understand its business in depth and contribute significantly to the Company.

2. Familiarization Process

- 2.1. The Company shall through its Executive Directors / Senior Managerial Personnel conduct programs / presentations periodically to familiarize the Independent Directors with the strategy, operations and functions of the Company;
- 2.2. such programs / presentations will provide an opportunity to the Independent Directors to interact with the senior leadership team of the Company and help them to understand the Company’s strategy, business model, operations, risk management and such other areas as may arise from time to time;
- 2.3. the programs / presentations shall also familiarize the Independent Directors with their roles, rights and responsibilities through SMP/external experts;
- 2.4. the Company may circulate news and articles related to the industry on a regular basis and may provide specific regulatory updates from time to time; and
- 2.5. the Company may conduct an introductory familiarization program / presentation, when a new Independent Director joins on the Board of the Company.

3. Disclosure of the Policy

- 3.1. This Policy shall be uploaded on the Company’s website and a web link for the same shall also be provided in the Annual Report of the Company.

4. Review of the Program

- 4.1. The Board will review this Program and make revisions as may be required.

Familiarization Programme on 13th February, 2016

The Familiarization Programme was conducted on Saturday, the 13th February, 2016 at 10.00 a.m. for the Independent Directors:

All the Independent Directors Sir B.Kamalaker Rao, Sri K.Malhar Rao and Sri P.Niroop, attended the Familiarization Programme. Other Key Managerial Personnel and Senior Managerial Personnel attended the Programme upon invitation as special invitees.

A Power Point Presentation was given on the roles and responsibilities of Board of Directors, Independent Directors and Committees of the Board of Directors pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the Companies Act, 2013 which can be summarized as below:

Duties of Directors as per the Companies Act, 2013 :-

A director of a Company shall

- act in accordance with the articles of the company.
- act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- not assign his office and any assignment so made shall be void.

Responsibilities of the Board of Directors as per SEBI (LODR) Regulations, 2015:-

i. Disclosure of information:

- Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.
- The board of directors and senior management shall conduct themselves so as

to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

ii. Key functions of the board of directors-

- Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
- Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
- Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.
- Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
- Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.
- Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
- Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- Overseeing the process of disclosure and communications.
- Monitoring and reviewing board of director's evaluation framework.

iii. Other responsibilities:

- The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
- The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
- Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
- The board of directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
- Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.
- The board of directors shall maintain high ethical standards and shall take into

account the interests of stakeholders.

- The board of directors shall exercise objective independent judgement on corporate affairs.
- The board of directors shall consider assigning a sufficient number of non-executive members of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- The board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the listed entity to excessive risk.
- The board of directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the listed entity's focus.
- When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
- Members of the board of directors shall be able to commit themselves effectively to their responsibilities.
- In order to fulfill their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.
- The board of directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors.

Obligations of Independent Directors as per SEBI (LODR) Regulations, 2015;-

- A person shall not serve as an independent director in more than seven listed entities: Provided that any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three listed entities.
- The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made there under, in this regard, from time to time.
- The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting.
- The independent directors in the meeting referred in sub-regulation (3) shall, inter alia-
 - i. review the performance of non-independent directors and the board of

- directors as a whole;
- ii. review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors;
 - iii. assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.
- An independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations.
 - An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by listed entity at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later: Provided that where the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.
 - The listed entity shall familiarize the independent directors through various programmes about the listed entity, including the following:
 - i. nature of the industry in which the listed entity operates;
 - ii. business model of the listed entity;
 - iii. roles, rights, responsibilities of independent directors; and
 - iv. any other relevant information.

Obligations of directors and senior management as per SEBI (LODR) Regulations, 2015:-

- A director shall not be a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which he is a director which shall be determined as follows:
 - i. the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded;
 - ii. for the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.
- Every director shall inform the listed entity about the committee positions he or she occupies in other listed entities and notify changes as and when they take

place.

- All members of the board of directors and senior management personnel shall affirm compliance with the code of conduct of board of directors and senior management on an annual basis.
- Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the listed entity in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.
- Senior management shall make disclosures to the board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

Role of Audit Committee as per SEBI (LODR) Regulations, 2015:-

- i. The role of the audit committee shall include the following:
 - oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
 - recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
 - approval of payment to statutory auditors for any other services rendered by the statutory auditors;
 - 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. modified opinion(s) in the draft audit report;
 - reviewing, with the management, the quarterly financial statements before

submission to the board for approval;

- 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 utilization of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- approval or any subsequent modification of transactions of the listed entity with related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the listed entity, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- 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;
- discussion with internal auditors of any significant findings and follow up there on;
- 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;
- 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;
- 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;
- to review the functioning of the whistle blower mechanism;
- approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

ii. The audit committee shall mandatorily review the following information:

- management discussion and analysis of financial condition and results of operations;
- statement of significant related party transactions (as defined by the audit committee), submitted by management;

- management letters / letters of internal control weaknesses issued by the statutory auditors;
- internal audit reports relating to internal control weaknesses; and
- the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- statement of deviations, if applicable: quarterly statement of deviation(s), annual statement of funds utilized for purposes other than those stated in the offer document/prospectus.

Role of Nomination and Remuneration Committee as per SEBI (LODR) Regulations, 2015:-

Role of committee shall, inter-alia, include the following:

- formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- formulation of criteria for evaluation of performance of independent directors and the board of directors;
- devising a policy on diversity of board of directors;
- identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- 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.

Role of Stakeholders Relationship Committee as per SEBI (LODR) Regulations, 2015:-

The Committee shall consider and resolve the grievances of the security holders of the listed entity including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends.

Various queries raised by the Independent Directors and Senior Executives were clarified.

The Programme concluded at 12.00 p.m. with a vote of thanks to the Independent Directors for their participation.

