

Recent Corporate Governance Developments in India

**Kotak Committee recommendations and their adoption by
Blue Star Limited**

Composition and role of the Board of Directors

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
1	Minimum six directors on Board	Ten directors on the Board
2	At least one independent woman director	One Independent Woman Director
3	Maximum number of directorships in public listed entities (Max – 8; applicable from 1 April 2019 Max – 7; applicable from 1 April 2020)	All Directors hold directorship in less than 8 listed companies
4	Chairperson to be a non-executive director and not related to MD or CEO as per the definition of ‘relative’ under the Companies Act, 2013	The Chairperson of the Board is an Independent Director (with effect from April 1, 2019 ahead of the mandated date of April 1, 2020)
5	Quorum for Board meeting – Higher of: <ul style="list-style-type: none"> ▪ One-third of its total strength or, ▪ Three Directors (incl. At least one Independent Director)	Compliant
6	Disclosure of expertise/ skills of Directors	<ul style="list-style-type: none"> • Core skill required in the context of the Company’s business disclosed in the Annual Report • Names of Directors having such skills, expertise and competencies will be disclosed from FY20 as mandated

Institution of Independent Directors

Sr. No.	Recommendations of the Kotak Committee	Status at Blue Star
1	Specifically exclude persons who constitute the 'promoter group' of a listed entity	No person from promoter group is an Independent Director
2	Exclude 'board inter-locks' i.e., a non-independent director of another company on the Board of which any Non-Independent Director of the listed entity is an Independent Director	There is no such Board inter-lock
3	Appointment of an alternate director for an independent director would not be permitted	No such instance of appointment of alternate director for an Independent Director
4	Mandatory Directors and Officers (D&O) insurance for Independent Directors of top 500 listed entities	D&O insurance in place for Independent Directors since 2013
5	An Independent Director would provide a declaration that he/she is not aware of any circumstance/ situation, that could impair or impact his/ her ability to discharge his/ her duties	Declaration of Independence is furnished by all the Independent Directors on an annual basis

Institution of Independent Directors (Cont'd)

Sr. No.	Recommendations of the Kotak Committee	Status at Blue Star
6	<p>Performance evaluation criteria should include:</p> <ul style="list-style-type: none">• Performance of the directors• Fulfilment of the independence criteria• Independence from the management	Questionnaires for performance evaluation include all the parameters mentioned herein
7	Disclose detailed reasons for resignation of an Independent Director before the expiry of his/ her tenure within seven days of resignation to the stock exchange	Not applicable. None of the Directors has resigned before the expiry of his/ her tenure

Board Committees

Sr. No.	Committee	Recommendations of the Kotak Committee	Status at Blue Star
1	Audit Committee	Review the utilization of loans and/ or advances from/ investment by the holding company in the subsidiary exceeding INR 100 crore or 10 % of the asset size of the subsidiary, which ever is lower	Not applicable – No loan has been granted to any of the subsidiaries
2	Risk Management Committee	Extend the requirement of a RMC to the top 500 listed entities (currently 100) Specifically cover cyber security in its role	<ul style="list-style-type: none"> • Risk Management Committee was formed in FY15. • Cyber security risk is reviewed by the Risk Management Committee every quarter
3	Nomination and Remuneration Committee	<ul style="list-style-type: none"> ▪ Recommend all payments made to senior management to the BoD ▪ Senior management would include all members one level below the CEO/MD 	NRC recommends all payments made to KMPs and senior management personnel (one level below the Executive Directors) to the Board

Board Committees (Cont'd)

Sr. No.	Committee	Recommendations of the Kotak Committee	Status at Blue Star
4	Stakeholder's Relationship Committee	<ul style="list-style-type: none"> ▪ Members to include minimum three Directors with at least one independent director ▪ Chairperson to be present at the AGM to answer queries of security holders ▪ Enhanced role to, inter alia, include review of measures taken for: <ul style="list-style-type: none"> • Effective exercise of voting rights by shareholders • Reducing the quantum of unclaimed dividends 	<ul style="list-style-type: none"> • Committee comprises of One Independent Director, One Non-Executive Director and One Executive Director • Mr. Anil Harish, Chairperson, was present at the AGM to address the queries of security holders • Effective exercise of exercise of voting rights by shareholders and reducing the quantum of unclaimed dividends are part of the charter of the Committee
5	General	<ul style="list-style-type: none"> • Members of NRC, RMC and SRC to meet at least once in a year 	<ul style="list-style-type: none"> • NRC and SRC meet twice in a year • RMC meets four times in a year

Monitoring group entities and related parties

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
Mechanisms to monitor multiple unlisted subsidiaries		
1	Dedicated group governance unit or Governance Committee comprising the members of its BoD	<ul style="list-style-type: none"> The Governance Framework as approved by the Board is applicable in its entirety to all the subsidiaries.
2	Strong and effective group governance policy to be formulated	<ul style="list-style-type: none"> Policy on Transactions with Related Parties, Nomination and Remuneration Committee policy, Material Subsidiary policy, Fraud Risk Management policy and Whistle Blower policy are key pillars of the Group Governance framework
Related Party transactions (RPTs)		
3	Disclose transactions with promoters/ promoter group entities holding 10% or more shareholding annually	Disclosed in the Annual Report
4	Half yearly disclosure of RPTs on a consolidated basis	<ul style="list-style-type: none"> Half yearly disclosure of RPT being made on a consolidated basis. In addition on a quarterly basis update is given to the Audit Committee on actual RPT s for which omnibus approval is taken
5	Consider promoters/ promoter group entities that hold 20% or above in a listed entity as related parties	Not applicable – None of the promoters/ promoter group entities hold 20% or above

Monitoring group entities and related parties (Cont'd)

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
6	Shareholder's approval (majority of minority) for royalty and brand payments to related parties exceeding 2% of consolidated turnover	Not applicable – No payment of royalty or brand fees to any related party.
7	Materiality policy to include clear threshold limits duly approved by BoD; to be reviewed at least once in three years and updated	<ul style="list-style-type: none"> Materiality policy has been implemented in FY16 with due approval by the Board. <u>Further action</u> <ul style="list-style-type: none"> Review of the policy has been planned in March 2020
8	Related parties permitted to cast a negative vote and not to vote to approve	<ul style="list-style-type: none"> There were no material RPT requiring shareholders approval
Secretarial Audit		
9	Secretarial audit mandatory for all listed entities and their material unlisted subsidiaries incorporated in India	<ul style="list-style-type: none"> Secretarial audit has been conducted for Blue Star Ltd and its material subsidiary in India in FY19
Obligations on the Board with respect to subsidiaries		
10	Definition of a 'material subsidiary' revised to mean a subsidiary whose income or net worth exceeds 10% of the consolidated income or net worth	<ul style="list-style-type: none"> Material subsidiary policy has been modified and approved by the Board as per the new amended law

Monitoring group entities and related parties (Cont'd)

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
Obligations on the Board with respect to subsidiaries (Cont'd)		
11	At least one Independent Director on the BoD of a listed entity to be a Director on the BoD of an unlisted foreign material subsidiary	Not applicable – There is no material foreign subsidiary
Remuneration to Directors		
12	Executive promoter Directors: Shareholders' approval by a special resolution, if remuneration paid to a single Executive Promoter Director and to all Executive Promoter Directors exceeds specified limits	Company keeps track of the prescribed limits and will pay only obtaining shareholders approval if the remuneration exceeds the prescribed limits
13	Non Executive Directors: Shareholders' approval by a special resolution is required every year, in which the annual remuneration to a single Non Executive Director exceeds 50% of the total remuneration payable to all Non Executive Directors	Not applicable – Annual remuneration to a single Non Executive Director never exceeded 50% of the total remuneration payable to all Non Executive Directors

Accounting and audit related matters

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
Quarterly financial disclosures		
1	Mandatory disclosure of consolidated financial results on a quarterly basis	Detailed disclosure of consolidated financial results on a quarterly basis
2	Limited review/ audit of at least 80% of the financial information of the group i.e., consolidated revenue, assets and profits	Limited review / audit of 90% of the financial information of the group is done
3	Mandatory disclosure of cash flow statement on a half-yearly basis	Disclosure of cash flow statement on a half-yearly basis has been initiated from September 2019
4	Financial results in respect of last quarter could be audited/ limited reviewed	Financial results in respect of last quarter of the year are audited
5	Disclose by way of note aggregate effect of material adjustments made in the results of the last quarter pertaining to earlier periods	Disclosed by way of a note. For instance Note 50 of the consolidated financial statements for the year ended 31 March 2019 disclosed impact of retrospective application of Ind AS 115.

Accounting and audit related matters (Cont'd)

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
Other significant matters		
6	Mandatory quantification of audit qualifications – exception for matters like going concern or sub-judice matters	Not applicable as there were no audit qualifications
7	Statutory auditor of the listed entity shall undertake a limited review of the financial results of all the entities / companies whose accounts are to be consolidated with the listed entity	Statutory auditor undertakes a limited review of the financial results of all the entities that are consolidated
8	Disclose: <ul style="list-style-type: none"> • Basis of recommendation for appointment of an auditor • Total fees paid to the statutory auditor (including entities in the network firm/ entity) • Reasons for resignation of an auditor/ audit firm 	The following are disclosed in the Annual Report <ul style="list-style-type: none"> • Basis of recommendation of the appointment of the new auditor effective FY19 in the Annual Report for FY18 • Total fees paid to the statutory auditor • Reason for resignation of the erstwhile auditor has been disclosed in the Annual Report for FY18

Disclosures and transparency

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
Searchable formats of disclosures		
1	Disclosures on entity's website: In a user friendly searchable format	All the disclosures are present in the Company website in user-friendly formats
2	Disclosures to stock exchange: In XBRL format	Financial disclosure is done to stock exchange in XBRL format on a quarterly basis
Additional disclosures on board evaluation		
3	Observations of Board evaluation carried out for the year	Observations of Board evaluation are disclosed in the Annual Report as part of the Corporate Governance Report
4	Previous year's observations and actions taken	Previous year's observations and actions taken have been of Board evaluation has been disclosed in the Annual Report as part of the Corporate Governance Report
5	Proposed actions based on current year observations	Proposed actions based on current year observations of Board evaluation have been disclosed in the Annual Report as part of the Corporate Governance Report

Disclosures and transparency (Cont'd)

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
Additional disclosure in the management discussion and analysis section of the annual report		
6	Entity's medium-term and long-term strategy based on a time frame as determined by its BoD	Medium- term and long- term strategy are disclosed as part of the Management Discussion and Analysis section
Key additional disclosures		
7	Disclosures on an entity's website: <ul style="list-style-type: none"> • Disclose credit ratings obtained for all its outstanding instruments • Immediately update any revision in such credit ratings 	Credit ratings of all financial instruments are disclosed in the company's website
8	Submit advance notice for consideration of bonus issue by the Board to the stock exchanges	Not Applicable – The Company last issued bonus shares in 1995
9	List of core skills/ expertise/ competencies identified by the BoD for it to function effectively and those actually available with the Board	List of core skills, expertise/ competencies has been declared <u>Further Plan</u> Names of directors having such skills. Expertise and competencies will be declared from FY20

Disclosures and transparency (Cont'd)

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
10	For each Director, disclose the names of the listed entities where he/ she is a director and the category of directorships	The directorships of all the Directors are disclosed in the Annual Report
11	Significant changes in key financial ratios (i.e., 25% or more as compared to previous FY); any change in networth	Key financial ratios and significant changes thereon are disclosed in the Management Discussion and Analysis section of the Annual Report
12	Utilisation of proceeds of preferential issues and qualified institutional placement till the time such proceeds are utilized	Not Applicable – No preferential issues or QIP in the near past
13	Recommendations of any committee of the Board mandatorily required in a financial year not accepted by the Board along with reasons	No such instances

Investor participation

Sr. No	Recommendations of the Kotak Committee	Status at Blue Star
Timeline for AGMs		
1	Hold AGMs by 31 August 2019 i.e., within five months from the end of the FY2018-19	The last AGM was held in 13 August 2019; within five months from the end of FY19
2	One-way live webcast of the proceedings of the AGMs	Not Applicable – The requirement is applicable only to top 100 listed entities
Resolution to shareholders without Board’s recommendation		
3	For any resolution placed before the shareholders, the BoD should clearly indicate their recommendations	Notices of shareholders meeting contain recommendation of the Board of Directors

THANK YOU
