

चेन्नै पेट्रोलियम कॉर्पोरेशन लिमिटेड
(इंडियनऑयल की ग्रुप कम्पनी)
Chennai Petroleum Corporation Limited
(A group company of IndianOil)



CS:01:007

06.01.2020

Ms.Charmi Dharod
Manager – Listing Compliance,
National Stock Exchange of India Ltd.
Exchange plaza, C-1, Block- G,
Bandra Kurla Complex, Bandra (E)
MUMBAI – 400 051

Madam,

**SUB.: CLARIFICATION – CORPORATE GOVERNANCE REPORT SUMITTED
UNDER SEBI (LODR) REGULATIONS, 2015**

This has reference to your letter No. NSE/LISTCOMP/17489 dated 3rd January, 2020 on the above subject, for the Non-Compliance with Regulation 17(1) and 18 of SEBI (LODR) Regulations, 2015 for the quarter ended 31.12.2019.

In this connection, we furnish below the submissions of CPCL:

1. PROVISIONS PERTAINING TO BOARD COMPOSITION (REGULATIONS 17)

**REASON: HALF OF THE BOARD IS NOT INDEPENDENT
NO WOMAN INDEPENDENT DIRECTOR ON THE BOARD**

REPLY:

As on 31.12.2019, the composition of the Board of Directors of CPCL is as under:

Sl. No.	Category of Directors	Number
1	Functional Directors including Managing Director	4
2	Nominee Director of IndianOil including Non-Executive Chairman	2
3	Nominee Directors of Naftiran Intertrade Company Limited	2
4	Government Director	1
5	Independent Directors including One Woman Independent Director	6
	TOTAL	15

As per Regulation 17 of the SEBI (LODR) Regulations, 2015, introduced by SEBI vide notification dated 02.09.2015, if the Non-Executive Chairman is a promoter of the Company or is related to any promoter or person occupying Management position at the Board level or at one level below the Board, atleast $\frac{1}{2}$ of the Board of the Company shall consist of Independent Directors. Since the Company has a Non-Executive Chairman, who is also the Chairman of the holding company i.e. Indian Oil Corporation Limited, atleast $\frac{1}{2}$ of the Board of the Company should consist of Independent Directors including 1 Woman Independent Director.

The Board of the Directors of the company vide circular resolution dated 25.10.2019 appointed Mrs.Sobha Surendran as an Independent Director of the Company effective 31.10.2019 (i.e. the date of allotment of DIN) pursuant to letter dated 21.10.2019 from the Ministry of Petroleum & Natural Gas, Government of India. With the above appointment, CPCL has 6 Independent Directors as against the requirement of 9 and has complied with the requirement of appointment of atleast 1 Woman Independent Director on the Board of CPCL.

CPCL also has 1 Woman Director viz., Mrs.Perin Devi, Director, Ministry of Petroleum & Natural Gas, Government of India, appointed on the Board of CPCL effective 24.11.2017.

The composition of the Board as on 31.12.2019 has been reported in the quarterly report on Corporate Governance wherein it is also mentioned that CPCL is a Government Company and the Directors, including Independent Directors are nominated by the Government of India and the Government of India is in the process of appointing additional Independent Directors.

It may be added here that appointment of Independent Directors is made by the administrative ministry viz., Ministry of Petroleum and Natural Gas (MoP&NG) by following the laid down guidelines of the Government of India and after obtaining approval of the Appointments Committee of Cabinet (ACC).

We would further like to draw your attention to the guidance note on SEBI circular regarding non-compliance with provisions of SEBI Listing Regulations and standard operating procedure (SOP) issued by the Stock Exchanges, wherein point no.11 provides that the Exchanges would apply the jointly decided policy on carve-outs in relation to waiver of fines, which was duly taken on record by SEBI. The said uniform carve-out policy provides for allowable reasons for waiver / reduction of penalties levied under SOP for compliance with Listing Regulations which inter-alia includes the following:

“Positions not filled as approval pending from Regulator / Ministry or any authority whose approval is necessary for filling up the position”

The company is taking up with MoP&NG for appointment of requisite number of additional Independent Directors as to ensure compliance with Corporate Governance norms enunciated under SEBI Listing Regulations as well as the Companies Act, 2013 and DPE Guidelines on Corporate Governance, applicable for Central Public Sector Enterprises (CPSEs). In addition, the requirement of additional Independent Directors for CPCL was also being highlighted to the Parliamentary Committee in various meetings and also at the last meeting held on 13.09.2018.

You would appreciate that the matter regarding appointment of independent directors is beyond the control of the company. Nevertheless we can assure that, the administrative Ministry viz., Ministry of Petroleum & Natural Gas is fully seized of the matter. Considering the facts stated above, we would like to submit that the non-compliance with regard to composition of the Board is not due to any negligence/default by the Company as the same is not under the control of the Company

P. S. M. K.

2. PROVISIONS PERTAINING TO AUDIT COMMITTEE COMPOSITION (REGULATIONS 18)

REASON: TWO THIRD OF THE MEMBERS ARE NOT INDEPENDENT

REPLY:

The composition of the Audit Committee of the Board as on 31.12.2019 is given below:

Sl. No.	Name & Category of Director	Number
1	Mr.Mrutunjay Sahoo, Independent Director Mr.Amitabh Mathur, Independent Director Mr.Myneni Narayana Rao, Independent Director	3
2	Mr.S.M.Vaidya, Nominee Director of Indian Oil Corporation Limited	1
3	Mrs.Perin Devi, Government Director	1
	TOTAL	5

As per the requirement of Regulation 18 of SEBI (LODR) Regulations, 2015, the company needs to have $2/3^{\text{rd}}$ Independent Directors in the Audit Committee out of the total strength of 5 i.e. $2/3^{\text{rd}}$ of 5 = 3.33, rounded off to closest decimal 3 and hence the company has 3 Independent Directors on the Audit Committee. With the above composition CPCL is complying with the requirement of Regulation 18 of the SEBI (LODR) Regulations, 2015.

3. CONTRADICTION AFFIRMATIONS

REASON: COMPOSITION OF AUDIT COMMITTEE IS NOT COMPLIED, HOWEVER THE SAME IS MENTIONED AS COMPLIED IN AFFIRMATION.

As mentioned in reply to Sl. No. 2 above, the total strength of the Audit Committee, as on 31.12.2019, comprises of 5 Non-Executive Directors out of which there are 3 Independent Directors. As per the requirement of Regulation 18 of SEBI (LODR) Regulations, 2015, the company needs to have $2/3^{\text{rd}}$ Independent Directors in the Audit Committee out of the total strength of 5 i.e. $2/3^{\text{rd}}$ of 5 = 3.33, rounded off to closest decimal 3 and hence the company has 3 Independent Directors on the Audit Committee.

Therefore, the company has given an affirmative reply with regard to the composition of the Audit Committee as per the SEBI Listing Regulations, 2015.

Further, the date of appointment of Mr.S.M.Vaidya on the Audit Committee is 17.10.2019.

We hope the above reply clarifies the observations in your aforementioned letter.

Thanking you,

Yours faithfully,
For **CHENNAI PETROLEUM CORPORATION LIMITED**

P Shum Aree
P.SHANKAR
COMPANY SECRETARY

Shankar
6/1/2020