F.No. 3(2)/2016-MGMT
Government of India
Ministry of Heavy Industries and Public Enterprises
Department of Public Enterprises
Block No.14, CGO Complex,
Lodi Road, New Delhi-110003
Dated the 31st May, 2021

OFFICE MEMORANDUM

Subject: Grading of CPSEs on the basis of their compliance with Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) - regarding

The undersigned is directed to refer to this Department's O.M. of even no. dated 28th December, 2018 (copy enclosed) on the subject mentioned above and to state that the time-lines for submission of quarterly and annual grading reports for the year 2020-21 have been extended as under.

Activity	Prescribed Time limit	Revised Time limit
Submission of quarterly grading report for 4th quarter of 2020-21 by CPSEs to their administrative Ministry	15th April, 2021	15th June, 2021
Submission of annual grading report for the year 2020-21 (average of four quarters) by CPSEs to their administrative Ministry with a copy to DPE	15th April, 2021	15th June, 2021
Furnishing consolidated Annual score and grading of all CPSEs for the year 2020-21 by the administrative Ministry to DPE	31st May, 2021	31st July, 2021

2. All administrative Ministries/Departments are requested to take further action accordingly and advise the CPSEs under their respective administrative jurisdiction to adhere to above time-lines.

Encl : As stated

(Dr. Nitin Aggrawal)
Joint Director
Tel : 2436-0258

To all administrative Ministries/Departments

Copy to (for necessary action) :- Chief Executives of all CPSEs

Digitally signed by NITIN AGGRAWAL
Date:Mon May 31 11:09:00 IST 2021
Reason: Approved

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F. No. 3(2)/2016-MGMT
Government of India
Ministry of Heavy Industries and Public Enterprises
Department of Public Enterprises

Block No.14, CGO Complex,
Lodi Road, New Delhi-110003
Dated the 28th December, 2018

OFFICE MEMORANDUM

Subject: Grading of CPSEs on the basis of their compliance with Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs)

The undersigned is directed to refer to this Department's O.M. of even number dated 6th September, 2012 enclosing therewith the prescribed format for grading CPSEs on the basis of their compliance with Guidelines on Corporate Governance.

2. DPE had set up a Committee of Company Secretaries of select CPSEs to suggest changes in DPE guidelines relating to the Board of Directors and Corporate Governance. The Committee has suggested modifications in the format for grading CPSEs to align it with provisions of Companies Act, 2013. The revised format has been approved by this Department for implementation from year 2018-19. A copy of revised format is enclosed.

3. The enclosed format may continue to be filled by the CPSEs on quarterly basis and submitted to their administrative Ministries/Departments within 15 days from close of each quarter. It is reiterated that the quarterly Compliance reports are not required to be furnished to this Department.

4. All administrative Ministries/Departments are requested to bring the contents of this O.M. to the notice of all CPSEs under their respective administrative jurisdiction and to furnish consolidated annual score and grading of CPSEs under their respective jurisdiction for the year 2018-19 and onwards within 31st May of every financial year in enclosed format.

Encl: As stated

(Lokesh Bajpai)
Director
Tel: 2436-0218

To, Secretaries of All administrative Ministries/Department as per list

Copy to : Chief Executive of all CPSEs

FORMAT FOR GRADING OF CENTRAL PUBLIC SECTOR ENTERPRISES (CPSES) ON THE BASIS OF THEIR COMPLIANCE OF GUIDELINES ON CORPORATE GOVERNANCE

Name of CPSE :

Name of Ministry/Department :

Listed/Unlisted :

Financial Year : Quarter ended:

Sl. No.	*Prescribed Guideline*	*Prescribed Marks*	*Criteria for Measurement*	*Awarded Marks*
1.1 Composition of Board (2 Marks)				
i	Does the Board of the Company have an optimum combination of functional, nominee and independent directors?	1	Yes=1 No=0	
ii	Does the number of functional directors in the company (including CMD/MD) not exceed 50% of the actual strength of the board?	1	Yes=1 No=0	
1.2 Non-official Directors (5 Marks)				
i.	Is the number of Nominee Directors appointed by Government/other CPSE as per the DPE Guidelines?	1	Yes=1 No=0	
ii	Is the number of Independent Directors at least 50% of Board Members (in the case of listed CPSE with an executive chairman) and at least one-third (in the case of listed but without an executive chairman or not listed CPSE)?	4	Yes = 4 No = 0	
1.3 Part-time Directors' Compensation and Disclosure (1 Mark)				
i	Is the fee/ compensation of Non-Official Part-time Directors fixed by Board as per the DPE Guidelines and Companies Act, 2013?	1	Yes = 1 No = 0	

Sl. No.	*Prescribed Guideline*	*Prescribed Marks*	*Criteria for Measurement*	*Awarded Marks*
1.4 Board Meetings (2 Marks)				
i	Does the Board meet at least once in every three months and the time gap between any two meetings is not more than three months?	1	Yes = 1 No = 0	
ii	Does the Company send to all the members of Board notification of Board Meeting with at least one volume of agenda at least 7 days in advance of meetings?	1	Yes = 1 No = 0	
1.5 Review of Compliance of Laws (5 Marks)				
i	Does the Board periodically review compliance report of all laws applicable to the company as well as steps taken by the company to rectify instances of non-compliances?	5	Yes = 5 No = 0	
1.6 Code of Conduct (2 Marks)				
i	Does the company have Code of Conduct approved by the Board applicable to Board Members and senior management of the company?	1	Yes = 1 No = 0	
ii	Do the members of the Board having conflict of interest abstain from participating in the agenda item in which he/she has personal interest?	1	Yes = 1 No = 0	
1.7 Risk Management (4 Marks)				
i	Does the company have risk management plan approved by the Board?	2	Yes = 2 No = 0	
ii	Does the Board periodically review and take remedial action to implement the risk management plan?	2	Yes = 2 No = 0	
1.8 Training of New Board Members (4 Marks)				
i	Does the Company have a policy specifying training requirements for board members?	2	Yes = 2 No = 0	
ii	Does the company provide training to the new Board members of at least three days after appointment to the Board?	2	Yes = 2 No = 0	

Sl. No.	*Prescribed Guideline*	*Prescribed Marks*	*Criteria for Measurement*	*Awarded Marks*
2.1 Constitution of Audit Committee (4 Marks)				
i	Does the Board of Directors have a qualified and independent Audit Committee with a Terms of Reference?	1	Yes = 1 No = 0	
ii	Does the Audit Committee have Minimum three directors as members and two-third of its members as Independent Directors?	1	Yes = 1 No = 0	
iii	Is the Audit Committee chaired by an Independent Director?	1	Yes = 1 No = 0	
iv	Do all members of the Audit Committee have knowledge of financial matters of the company and at least one member has expertise in accounting and financial management?	1	Yes = 1 No = 0	
2.2 Audit Committee Role (6 Marks)				
i	Does the scope/terms of reference governing the Audit Committee specify that the Audit Committee is responsible for the oversight of the company's financial reporting process and the disclosures of its financial information?	1	Yes = 1 No = 0	
ii	Does the scope/terms of reference governing the Audit Committee specify that it can recommend to the Board the fixation of audit fees?	1	Yes = 1 No = 0	
iii	Does the scope/terms of reference governing the Audit Committee specify that it can approve the payment to statutory auditors for any other services rendered by them?	1	Yes = 1 No = 0	
iv	Does the scope/terms of reference governing the Audit Committee specify that the Audit Committee is responsible for reviewing with the management and ensuring that the company's annual financial statements and audits are in compliance with applicable laws, regulations, and company policies before submission to the Board for approval?	1	Yes = 1 No = 0	
v	Does the scope/terms of reference governing the Audit Committee specify that the Audit Committee is responsible for reviewing with the management the performance of internal auditors and adequacy of the internal control systems?	1	Yes = 1 No = 0	

Sl. No.	Prescribed Guideline	Prescribed Marks	Criteria for Measurement	Awarded Marks
vi	Does the scope/terms of reference governing the Audit Committee approved by the Board?	1	Yes = 1 No = 0	
2.3 Audit Committee Powers (5 Marks)				
i	Is the Audit Committee empowered to seek information from any employee of the CPSE?	1	Yes = 1 No = 0	
ii	Does the Audit Committee have powers to secure help of outside legal or any other experts when necessary?	1	Yes = 1 No = 0	
iii	Does the Audit Committee have powers to mitigate conflicts of interest by strengthening auditor independence?	1	Yes = 1 No = 0	
iv	Is the Audit Committee empowered to ensure the effectiveness of internal controls and risk management?	1	Yes = 1 No = 0	
v	Is there a system of protection for employees and others who report infractions (to protect "whistle blowers")?	1	Yes = 1 No = 0	
2.4 Meeting of Audit Committee (5 Marks)				
i	Did the Audit Committee meet at least four times during the last 12 months?	1	Yes = 1 No = 0	
ii	Did the frequency of the Audit Committee meetings as per the norms (i.e. not more than four months shall elapse between two meetings)?	2	Yes = 2 No = 0	
iii	Did the minimum of two Independent Directors attend the meeting of the Audit Committee?	2	Yes = 2 No = 0	
2.5 Review of Information by Audit Committee (5 Marks)				
i	Does the Audit Committee review the management discussion and analysis of financial condition and results of operations?	1	Yes = 1 No = 0	
ii	Does the Audit Committee review the statement of related party transactions submitted by management?	1	Yes = 1 No = 0	
iii	Is the internal audit report relating to internal control weaknesses reviewed by the Audit Committee?	1	Yes = 1 No = 0	
iv	Is the information regarding appointment and/or removal of Chief Internal Auditor placed before the Audit Committee?	1	Yes = 1 No = 0	
v	Does the Audit Committee review the	1	Yes = 1	

	declaration of financial statements by the CEO/CFO?		No = 0	

Sl. No.	*Prescribed Guideline*	*Prescribed Marks*	*Criteria for Measurement*	*Awarded Marks*
3.1 Constitution of Remuneration Committee (5 Marks)				
i.	Does the Company have Remuneration Committee?	1	Yes = 1 No = 0	
ii	Does the Remuneration committee comprise of at least 3 directors who are all part-time directors (Nominee or Independent)?	2	Yes = 2 No = 0	
iii	Is the remuneration committee chaired by an Independent Director?	2	Yes = 2 No = 0	
4.1 Board of Subsidiary Companies (3 Marks)				
i	Does the Board of Subsidiary company, whose turnover or net-worth is not less than 20% of the turnover or net-worth respectively of the Holding Company in the immediately preceding accounting year, include at least one independent director of the holding company as a director?	1	Yes = 1 No = 0	
ii	Are the minutes of meetings of Board of Directors of subsidiary company placed in the Board meetings of the holding company?	1	Yes = 1 No = 0	
iii	Does the number of functional directors (including CMD/MD) not exceed 50% of the actual strength of the board of Subsidiary Company, whose turnover or net-worth respectively is not less than 20% of the turnover or net-worth respectively of the Holding Company in the immediately preceding accounting year?	1	Yes = 1 No = 0	
4.2 Review of Financial Statement of Subsidiary by Audit Committee (1 Mark)				
i	Does the Audit Committee of the holding company review the financial statements of the subsidiary company?	1	Yes = 1 No = 0	1
4.3 Review of Performance of Subsidiary by Board (1 Mark)				
i	Does the Board of Directors of the holding company review the performance of the subsidiary company?	1	Yes = 1 No = 0	

Sl. No.	*Prescribed Guideline*	*Prescribed Marks*	*Criteria for Measurement*	*Awarded Marks*
5.1 Transactions (3 Marks)				
i	Is the summary of transactions with related parties in the normal and ordinary course of business placed periodically before the Audit Committee?	1	Yes=1 No=0	
ii	Are the details of material individual transactions with related parties undertaken in extraordinary circumstances of business placed before the Audit Committee?	1	Yes=1 No=0	
iii	Are the details of material individual transactions with related parties or others, which are not on an arm's length basis placed before the Audit Committee along with Management's Justification for the same?	1	Yes=1 No=0	
5.2 Accounting Standards (3 Marks)				
i	Do the company's accounting procedures comply with the Accounting Standards adopted by concerned regulatory authority from time to time?	2	Yes=2 No=0	
ii	Is the deviation from the prescribed Accounting Standards disclosed and explained in the financial statements and in the Corporate Governance Report of the Company?	1	Yes=1 No=0	
5.3 Consolidated Financial Statements (3 Marks)				
i	Are the Consolidated Financial Statements of the Company prepared in accordance with the Accounting Standards, issued by concerned regulatory authority from time to time?	3	Yes=3 No=0	
5.4 Segment-wise Profit and Loss Statement (3 Marks)				
i	Does the company disclose segment-wise profit & loss as per Accounting Standard issued by concerned regulatory authority from time to time?	3	Yes=3 No=0	

Sl. No.	*Prescribed Guideline*	*Prescribed Marks*	*Criteria for Measurement*	*Awarded Marks*
5.5 Board Disclosures – Risk Management (3 Marks)				
i	Do the company's latest Annual Report include management's assessment of the company's outlook for the future and identify important risks that the company may face in future?	2	Yes=2 No=0	
ii	Has the company included in its latest Annual Report a statement of its corporate objectives (Mission)?	1	Yes=1 No=0	
5.6 Remuneration of Directors (3 Marks)				
i	Does the company's latest Annual Report disclose all pecuniary relationship or transactions of the part-time directors vis-à-vis the company?	2	Yes=2 No=0	
ii	Does the company disclose in its latest Annual Report the details on remuneration of Directors?	1	Yes=1 No=0	
5.7 Management Discussion and Analysis (1 Mark)				
i	Does the Management Discussion and Analysis Report include the matters as specified in the DPE Guidelines?	1	Yes=1 No=0	
5.8 Disclosures by Senior Management (1 Mark)				
i	Does the company's latest Annual Report disclose significant "related party" transactions of Board members where they have personal interest?	1	Yes=1 No=0	
6.1 Report on Corporate Governance (4 Marks)				
i	Does the company's latest Annual Report have a separate section on Compliance to Corporate Governance Guidelines issued by DPE?	2	Yes=2 No=0	
ii	Does the company produce periodic reports and press releases to indicate significant developments impact on corporate governance (such as, legal and environmental issues; commitment to workforce, suppliers, customers and local communities etc.)?	1	Yes-1 No=0	
iii	Does the company have a facility for information sharing with stakeholders through the use of information and Communication Technologies (ICT)?	1	Yes=1 No=0	

Sl. No.	*Prescribed Guideline*	*Prescribed Marks*	*Criteria for Measurement*	*Awarded Marks*
6.2 Compliance Certificate (4 Marks)				
i	Has the company obtained a Certificate from the auditors and/ or practicing Company Secretary regarding Compliance of Corporate Governance Guidelines and Annexes?	2	Yes=2 No=0	
ii	Does the latest Annual Report of the company include the Compliance Certificate along with the Directors' Report, which is also sent to all shareholders?	2	Yes=2 No=0	
6.3 Chairman's Message in AGM and Annual Report (4 Marks)				
i	Does the Chairman's Message to shareholders form part of Annual Report of the company?	2	Yes=2 No=0	
ii	Does the Chairman's Message at the latest AGM include a section on compliance with Corporate Governance guidelines?	2	Yes=2 No=0	
6.4 Holding AGM, Adoption of Audited Accounts and Filing of adopted Accounts with the Registrar of Companies within the stipulated time (4 Marks)				
i	Did the company hold an Annual General Meeting (AGM) as per the provision of the Companies Act, 2013?	1	Yes=1 No=0	
ii	Are the year-end Audited Accounts placed in the AGM for adoption by the shareholders of the company?	2	Yes=2 No=0	
iii	Are the year-end Audited Accounts adopted in the AGM filed with the Registrar of Companies within the stipulated time?	1	Yes=1 No=0	
6.5 Timely Submission of Grading Report (4 Marks)				
i	Does the company submit quarterly grading report regarding DPE Guidelines on Corporate Governance in the prescribed format to respective Administrative Ministries within 15 days from the close of each quarter?	4	Yes=4 No=0	4
	Total			

Date:

Company Secretary/ Authorised Signatory

(Name & Designation)

Note:

1. The grading report in the above format shall be filled for each quarter and total marks (out of 100) shall be calculated for each quarter. The scores for each of the quarter shall be averaged for arriving at the annual score.
2. In case, a particular guideline is not applicable to a CPSE, the same shall be mentioned in the format along with reason thereof and the total marks under the format shall stand reduced to that extent and the percentage of marks secured shall be calculated accordingly.
3. The grading shall be determined as under:

Grade	*Annual/ Quarterly Score (in %)*
Excellent	85 and above
Very Good	75 - 84
Good	60 - 74
Fair	50 - 59
Poor	Below 50