

REPORT ON CORPORATE GOVERNANCE:**(1) Philosophy:**

Corporate Governance may be defined as a set of systems, processes and principles which ensure that a company is governed in the best interest of all stakeholders. ECL firmly believes that Corporate Governance is a culture under which an organization is nurtured and flourishes by using its core values and the means by which it fulfills the public trust and its stakeholders' expectations. At ECL, it is not just a compliance with laws and ethical standards instead it is an important business investment which is not only necessary to preserve our reputation but also crucial for obtaining and retaining our business.

Transparency, accountability and integrity are the main ingredients of good corporate governance. Your company as a good corporate citizen believes in adhering to the highest standards of corporate governance. ECL provides appropriate access to information to the citizens of India under the provisions of Right to Information (RTI) Act, 2005.

(2) Board of Directors:**(A) Composition of the Board:**

We are a -Government company within the meaning of section 2(45) of the Companies Act, 2013 as Coal India Limited holds entire paid-up share capital. As per Articles of Association the power to appoint Directors rests with the President of India.

In terms of Articles of Association of the company strength of our Board shall not be less than 2 Directors and not more than 15 Directors. These Directors may be either whole-time Functional Directors or part-time Directors. The Directors are not required to hold any qualification share.

As on 31st March 2017, Board comprised 7 Directors, out of which 4 were whole-time Functional Directors, 1 Part Time Official Director, 1 Part Time Non-Official Director and CMD, WCL was holding the additional charge of CMD, ECL.

The Directors bring to Board wide range of experience and skills.

DIRECTORS:

During the year 2016-17, Shri C.K. Dey was the Chairman-cum-Managing Director (Additional charge) of the Company till 22.11.2016 and thereafter Shri R.R. Mishra, Chairman-cum-Mg. Director, WCL is holding the additional charge of Chairman cum-Mg Director of ECL w.e.f 23.11.2016.

The other Directors on the Board of the Company during 2015-16 were Shri V. Peddanna (upto 28.02.2017), Dr. Indira Chakravarty, Shri C.K. Dey, Shri K.S. Patro, Shri A.M. Marathe, Shri B.N. Shukla (w.e.f 17.08.2016) and Shri A.K. Singh (w.e.f 15.09.2016).

Brief profile of Directors is enclosed as **Annexure - B**.

Service Contract:

Directors of the company are appointed by the President of India. The terms and conditions of appointment of Whole-time Functional Directors are decided by the President of India in terms of Articles of Association of the Company. The terms and condition of non-official part time directors are laid down by the Ministry of Coal.

(B) Board Meetings:

Meetings of Board of Directors are normally held at Sanctoria/Kolkata for the convenience of Directors. Company has well defined procedures for meetings of Board of Directors and Committees thereof so as to facilitate decision making in an informed and efficient manner.

During the financial year ended 31st March 2017, 10 Board meetings were held as against the minimum requirement of 4 meetings. The details of the Board meetings are as follows:

Date	Board of Directors							
	Functional		Part-time Official		Part Time Non-Official		Total	
	Strength	Present	Strength	Present	Strength	Present	Strength	Present
10.04.2016	2	2	2	2	1	1	5	5
11.04.2016								
12.05.2016	2	2	2	2	1	1	5	5
26.05.2016	2	2	2	2	1	1	5	5
15.06.2016	2	2	2	2	1		5	5
29.07.2016	2	2	2	2	1	1	5	5
30.07.2016								
31.08.2016	3	3	2	2	1	1	6	6
29.09.2016	4	3	2	2	1	1	7	6
30.11.2016	5	5	2	2	1	1	8	8
01.02.2017	5	5	2	2	1	1	8	8
18.03.2017	5	4	1	1	1	1	7	6

Details of number of Board meetings attended by each of the Directors are given below:

Sl. No	Directors	Board meetings		No. of other Directorships
		Held during the tenure	Attended	
Functional Directors:				
1	Shri Rajiv Ranjan Mishra Chairman cum-Mg. Director, ECL (Additional Charge) (w.e.f 23.11.2016)	3	3	2
2	Shri K.S Patro Director (Personnel)	10	10	NIL
3	Shri A.M. Marathe Director (Finance)	10	10	NIL
4	Shri B.N. Shukla Director (Technical) Operations (w.e.f 17.08.2016)	5	4	NIL
5	Shri A.K. Singh Director (Technical) Project & Planning (w.e.f 15.09.2016)	4	3	NIL
Part-time Official Directors:				
6	Shri V. Peddanna Joint Secretary, MoC	9	9	NIL
7	Shri Chandan Kumar Dey Director (Finance), CIL Additional Charge, CMD, ECL (upto 22.11.2016)	10	10	6
Part Time Non-Official Director:				
8	Dr. Indira Chakravarty	10	10	NIL

(C) Remuneration of the Director:

(i) Functional Directors:

Name	Designation	Remuneration for the year 2016-17 (Amount in ₹)		
		All elements of remuneration package (i.e. salary, pension, P.F., gratuity etc.)	Other benefits	Total
Shri K.S. Patro	Director (Personnel)	2967383.00	62770.00	3030153.00
Shri A.M. Marathe	Director (Finance)	2997426.00	20646.00	3018072.00
Shri B.N. Shukla	Director (Technical) Opn. (w.e.f 17.08.2016)	1556968.00	135040.00	1692008.00
Shri A.K. Singh	Director (Technical) P&P (w.e.f 15.09.2016)	1542760.00	63739.00	1606499.00

(ii) Part-time official Directors:

No remuneration is paid to the Part-time official Directors by the Company.

(iii) **Part-time Non-official Directors:**

No remuneration is being paid to Part-time Non-official Directors except sitting fee. Details of sitting fee paid for attending Board / Committee Meetings are shown below.

(Amount in ₹)				
Sl No	Name of the Director	Sitting Fee for Board Meeting	Sitting Fee for Committee Meetings	Total
1	Dr. Indira Chakravarty	1,50,000/-	2,85,000/-	4,35,000/-

3. Board Committee:

[A] Audit Committee:

Your Company has an independent Audit Committee. The composition, procedures, powers and role/functions of the Audit Committee, constituted by the Company is to comply with the requirements of the Companies Act.

Scope of Audit Committee:

The scope of Audit Committee is as follows:-

1. Overseeing 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 fixation of fees to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, and ensuring that the annual financial statements are in compliance with applicable laws 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 section 134 (5) of the Companies Act, 2013;
 - b) Changes, if any, in accounting policies and practices;
 - 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 legal requirements relating to financial statements;
 - f) Disclosure of any related party transactions; and
 - g) Qualifications in the draft audit report.
 - h) The management discussion and analysis of financial condition and results of operations.
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 and the information regarding appointment and / or removal of Internal Auditor.
8. Discussion with internal auditor and / or auditors any significant findings and follow up thereon.
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 default 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. Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.

15. Reviewing the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.

Composition:

Audit Committee comprised of 2 (Two) part-time official directors viz. Shri V. Peddanna (upto 28.02.2017), and Shri C.K. Dey, 1 (one) part-time non-official director viz. Dr. Indira Chakravarty and 2 (two) Functional Director viz. Shri K.S. Patro, Director (Personnel) and Shri B.N. Shukla, Director (Technical) Operations (w.e.f 31.08.2016).

Shri V. Peddanna, part-time official director was Chairman of the Audit Committee; however, in his absence in the 80th Audit Committee Meeting held on 21.02.2017, Dr. Indira Chakravarty, part-time non-official director was elected the Chairperson of the Audit Committee.

Director (Finance) and General Manager (Finance) Internal Audit are the permanent invitees to the Audit Committee and Company Secretary is Secretary to the Committee.

6 (six) meetings of the Audit Committee were held during the financial year 2016-17. The details of the Audit Committee Meeting are as follows:

Date	Members							
	Functional		Part-time Official		Part Time Non-Official		Total	
	Strength	Present	Strength	Present	Strength	Present	Strength	Present
10.04.2016	1	1	2	2	1	1	4	4
26.05.2016	1	1	2	2	1	1	4	4
31.08.2016	1	1	2	2	1	1	4	4
29.11.2016	2	1	2	2	1	1	5	4
01.02.2017	2	2	2	2	1	0	5	4
21.02.2017	2	2	2	0	1	1	5	3

Audit Committee Attendance:

Details of number of Audit Committee meetings attended by each of the members are given below:-

Sl. No.	Members	Meeting held during respective tenure of members	No. of Meetings attended
1	Shri V. Peddanna	6	5
2	Shri C.K. Dey	6	5
3	Dr. Indira Chakravarty	6	5
4	Shri K.S. Patro	6	5
5	Shri B.N. Shukla	3	3

[B] Committee for Evaluation, Appraisal and Approval of Projects

In the 246th meeting of the Board, a Committee for Evaluation, Appraisal and Approval of projects was constituted. The Committee for Evaluation, Appraisal and Approval of Projects consisted of 1 (one) part time Official Director, viz. Shri V. Peddanna (upto 28.02.2017), 1 (one) part time non-official Director viz. Dr. Indira Chakravarty and three Functional Directors viz. Shri A.M Marathe, Director (Finance), Shri B.N. Shukla, Director (Technical) Operations (w.e.f 31.08.2016) and Shri A.K. Singh, Director (Technical) Project & Planning (w.e.f 29.09.2016).

Company Secretary is Secretary to the Committee and General Manager (P&P) is the Nodal Officer for this Committee.

Shri V. Peddanna, Part time Official Director was the Chairman of the committee for the first four meeting of the financial year 2016-17 and after his superannuation on 28.02.2017, Shri A.M. Marathe, Director (Finance) was the chairman of the meeting held on 18.03.2017.

During the year 2016-17, 5 (five) meetings of the Committee for Evaluation, Appraisal and Approval of Projects were held i.e. on 15.06.2016, 31.08.2016, 30.11.2016, 31.01.2017 and 18.03.2017. The details of members and their attendance at meetings are given below:

Sl. No.	Members	Meeting held during respective tenure of members	No. of Meetings attended.
1	Shri V. Peddanna	4	4
2	Dr. Indira Chakravarty	5	5
3	Shri A.M. Marathe	5	5
4	Shri B.N. Shukla (w.e.f 31.08.2016)	3	2
5	Shri A.K. Singh (w.e.f 29.09.2016)	3	2

[C] Committee on C.S.R.

In the 261st meeting of the ECL Board, CSR & Sustainability Committee was constituted. The Committee consisted 1 (one) part time Official Director, viz. Shri V. Peddanna (upto 28.02.2017), 1 (one) part time non-official Director viz. Dr. Indira Chakravarty and (4) four Functional Directors viz. Shri K.S. Patro, Director (Personnel), Shri A.M. Marathe, Director (Finance), Shri B.N. Shukla, Director (Technical) Operations (w.e.f 31.08.2016) and Shri A.K. Singh, Director (Technical) Project & Planning (w.e.f 29.09.2016).

Company Secretary is Secretary to the Committee and HOD (CSR&W) is the Nodal Officer for this Committee

During the year 2016-17, 6 (six) meetings of the Committee on C.S.R. were held i.e. on 10.04.2016, 12.05.2016, 29.07.2016, 07.10.2016, 31.01.2017 and 21.02.2017. Dr. Indira Chakravarty, part time non-official director was Chairman of the Committee throughout the year. The details of members and their attendance at meetings are given below:

Sl. No.	Members	Meeting held during respective tenure of members	No. of Meetings attended.
1	Dr. Indira Chakravarty	6	6
2	Shri V. Peddanna (upto 28.02.2017)	6	5
3	Shri K.S. Patro	6	6
4	Shri A.M. Marathe	6	5
5	Shri B.N. Shukla	3	3
6	Shri A.K. Singh	3	2

[D] Committee on Performance Review.

In the 285th meeting of the ECL Board, Performance Review Committee was constituted. The Committee consisted 1 (one) part time Official Director, viz. Shri V. Peddanna (upto 28.02.2017), 1 (one) part time non-official Director viz. Dr. Indira Chakravarty and 2 (two) Functional Directors viz. Shri K.S. Patro, Director (Personnel) and Shri A.M Marathe, Director (Finance). During the year 2016-17, 1 (one) meeting of the Performance Review Committee was held i.e. on 10.04.2016.

Company Secretary is Secretary to the Committee and General Manager (P&P), General Manager (Excv.), General Manager (E&M) and General Manager (S&M) are the Permanent Invitees to the Committee.

Shri V. Peddanna, Part time Official Director was the Chairman of the committee. The details of members and their attendance at meetings are given below:

Sl. No.	Members	Meeting held during respective tenure of members	No. of Meetings attended.
1	Shri V. Peddanna (upto 28.02.2017)	1	1
2	Dr. Indira Chakravarty	1	1
3	Shri K.S. Patro	1	1
4	Shri A.M. Marathe	1	1

[E] Risk Management Committee.

In the 291st meeting of the ECL Board, Risk Management Committee was constituted. The Committee consisted 1 (one) part time Official Director, viz. Shri V. Peddanna (upto 28.02.2017), 1 (one) part time non-official Director viz. Dr. Indira Chakravarty and 4 (four) Functional Directors viz. Shri K.S. Patro, Director (Personnel), Shri A.M Marathe, Director (Finance), Shri B.N. Shukla, Director (Technical) Operations (w.e.f 31.08.2016) and Shri A.K. Singh, Director (Technical) Project & Planning (w.e.f 29.09.2016). During the year 2016-17, 1 (one) meeting of the Risk Management Committee was held i.e. on 07.10.2016.

Company Secretary is Secretary to the Committee and Shri V. Peddanna, Part time Official Director was the Chairman of the committee. The details of members and their attendance at meetings are given below:

Sl. No.	Members	Meeting held during respective tenure of members	No. of Meetings attended.
1	Shri V. Peddanna (upto 28.02.2017)	1	1
2	Dr. Indira Chakravarty	1	1
3	Shri K.S. Patro	1	1
4	Shri A.M. Marathe	1	-
5	Shri B.N. Shukla	1	1
6	Shri A.K. Singh	1	1

Statutory Auditors:

Under Section 139 of the Companies Act, 2013 the following Chartered Accountants Firms were appointed by the Comptroller and Auditor General of India for conducting audit of the financial accounts of the company for the year 2016-17:

Statutory Auditors:

1.	M/s. M Choudhury & Co., 162, Jodhpur Park, Kolkata-700068.
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Branch Auditors:

2.	M/s. U S Saha & Co., 228 Kamalalaya Centre, 2 nd Floor, 156 A Lenin Sarani, Kolkata-700013.
3.	M/s D. Jha & Associates, 1 st Floor, Suraj Market, Lalji Hilji, Ranchi-834001
4.	M/s N. Sarkar & Co., 21 Prafulla Sarkar Street, Kolkata-700072
5.	M/s Virendra Surana & Co., Near Vivekananda College, Sripalli, Burdwan-713103
6.	M/s. Saraf & Chandra, 501, Ashoka House, 3A Hare Street, 5 th Floor, Kokata-700001

Annual General Meeting:

Particulars of Annual General Meeting of Shareholders of the company held during last 3 years were as under:-

Year	Date & Time	Place	Attendance	Special Resolution, if any
2013-14	14.06.2014 12:15 PM	Sanctoria	Shri Rakesh Sinha, CMD, ECL Shri S. Manna, Chief Manager(F), CIL, Representative of CIL, Chairman, CIL and Director (Finance), CIL Shri S.M. Sharma, Chairman, Audit Committee Shri K.K. Gautam, Special Director, BIFR Shri S. Chakravarty, D (T) Operation, ECL (member of audit committee) Shri C.K. Dey, D(F), ECL, Shri Ramesh Chandra, D (T) P&P, Shri K.S. Patro, D(P).	-

Year	Date & Time	Place	Attendance	Special Resolution, if any
2014-15	27.06.2015 11:00 AM	Sanctoria	Shri C.K. Dey, Director (Finance), CIL, Chairman cum-Mg Director (Additional Charge), ECL Shri S. Mukherjee, Chief Manager(F), CIL, Representative of CIL and Chairman, CIL Shri S. Chakravarty, D (T) Operation, ECL (member of audit committee) Shri K.S. Patro, D (P) Shri B.R. Reddy, D(T) P&P	-
2015-16	16.07.2016 11:00 AM	Sanctoria	Shri C.K. Dey, Director (Finance), CIL, Chairman cum-Mg Director (Additional Charge), ECL Shri D. Sett, Chief Manager(F), CIL, Representative of CIL and Chairman, CIL Shri K.S. Patro, D (P), ECL, Member Audit Committee Shri A.M. Marathe, D(F), ECL	Yes *

*Special Resolution was passed in the 41st AGM of ECL for amendment of clause 32(a) of Articles of Association of ECL. The extract of special resolution is reproduced below:

“RESOLVED THAT the proposed amendments in Clause 32(a) of Articles of Association of Eastern Coalfields Limited be and is hereby approved:

“...Without prejudice to the generality of the above provision, the Board shall reserve for the decision of the President/CIL any matter relating to:

a) Any programme of capital expenditure for an amount exceeding the limits, if any contained in the Govt. guidelines issued from time to time.”

No Special Resolution was passed through postal ballot at any of the General Meetings of the members held during the above three years.

4. DISCLOSURES:

(a) Related Party Transactions:

As per the disclosures given by the Directors of the company there were no related party transactions that have potential conflict with the interest of the company at large.

(b) Code of Conduct for Directors and Senior Executives:

The Code of Conduct for Directors and Senior Executives was approved by the Board of Directors of the company in its 214th Meeting held on 15th October, 2007. This was circulated to the Directors and senior executives and obtained their affirmation. It was also uploaded in the website of the company www.easterncoal.gov.in.

(c) Accounting Treatment:

The financial statements are prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 2013.

(d) Risk Management, Fraud Prevention and Identification:

Risk Assessment and Mitigation Policy has been approved by the ECL Board in its 257th Meeting held on 05.11.2012.

(e) CEO/CFO Certification:

A certificate duly signed by Shri A.M. Marathe, Director (Finance) and Shri R.R. Mishra, Chairman-cum-Mg. Director (Additional Charge) was placed in the 298th Board Meeting is annexed to the Corporate Governance Report as **Annexure-C**.

(f) Compliance with applicable laws:

During the Financial Year 2016-17, all the laws applicable to the company has been complied.

5. Means of Communications:

Annual Report, Operational and financial performance of the company is uploaded in company's website www.easterncoal.gov.in.

Apart from Annual Accounts, quarterly review of accounts is also conducted by the statutory auditors of the company.

6. Audit Qualifications:

It is always the company's endeavour to present an unqualified financial statement. Management reply to the statutory auditors' observations on the accounts of the company for the year ended 31st March, 2017 are furnished as an Annexure to Directors' Report. Comments of the Comptroller and Auditor General of India under section 143(6) of the Companies Act, 2013 on the accounts of Eastern Coalfields Limited for the year ended 31st March, 2017 are also enclosed.

7. Training of Board Members:

The Functional Directors are the heads of the respective functional areas by virtue of their possessing the requisite expertise and experience. They are aware of the business model of the company as well as the risk profile of the company's business. The Part-time Directors are also fully aware of the company's business model.

8. Shareholding pattern of the Company:

100% shares of the company are held by Coal India Ltd.

9. Whistle Blower Policy:

The company promotes ethical behavior in all its business activities. The Board has put in place mechanism of reporting illegal or unethical behavior. Employees are free to report violation of laws, rules, fraud or unethical conduct to the Competent Authority. The reports received from any employee will be reviewed by the Screening Committee. The management personnel are obligated to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

The Board of your company had accorded its approval in its 218th Meeting held on 27th March, 2008 to sign a MoU with M/s. Transparency International in line with the MoU entered into by CIL for implementation of Integrity Pact and the same was carried out.

10. During 2016-17, no person has been prevented from direct access to the Chairperson of the Audit Committee.

11. The actual date of submission to DPE of completed data-sheet for PE Survey was 05.09.2016.

M CHOUDHURY & CO.
Chartered Accountants

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☎ 2429-2417

Auditors' Certificate on Compliance with the conditions of Corporate Governance

To

The Members of **EASTERN COALFIELDS LIMITED**

We have examined the compliance conditions of Corporate Governance by **EASTERN COALFIELDS LIMITED** ("the Company") for the Year Ended 31st March 2017.

The compliance of conditions of Corporate Governance is the responsibility of the management. The Company is a subsidiary of Coal India Limited, a government company which is listed. The shares of the Company are not listed in any stock exchange and our examination was carried out in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof adopted by the Company for ensuring the conditions of corporate governance. It is neither an audit nor an expression of opinion on the Ind AS financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has generally complied with the conditions of Corporate Governance.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficacy with which the management has conducted the affairs of the Company.

M CHOUDHURY & CO.
Chartered Accountants
FRNo.: 302186E



D Choudhury
Partner

Membership No.: 052066

25th May 2017
Kolkata

