

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 2016, Board comprised 5 Directors, out of which 2 were whole-time Functional Directors.

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

DIRECTORS:

During the year 2015-16, Shri Rakesh Sinha was the Chairman-cum-Managing Director of the Company till 31.05.2015 and thereafter Shri C.K. Dey, Director (Finance), CIL & Part Time official Director, ECL is holding the additional charge of Chairman cum-Mg Director w.e.f 01.06.2015.

The other Directors on the Board of the Company during 2015-16 were Shri V. Peddanna, Dr. Indira Chakravarty (w.e.f 17.11.2015), Shri S. Chakravarty (upto 09.10.2015), Shri K.S. Patro, Shri B.R. Reddy (upto 29.02.2016) and Shri A.M. Marathe (w.e.f 29.09.2015).

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 2016, 9 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			Total
	Functional	Part-time Official	Part Time Non-Official	

	Strength	Present	Strength	Present	Strength	Present	Strength	Present
27.04.2015	4	4	2	2	0	0	6	6
26.05.2015	4	4	2	2	0	0	6	6
14.06.2015	3	3	2	1	0	0	5	4
28.07.2015	3	3	2	2	0	0	5	5
03.09.2015	3	2	2	2	0	0	5	4
30.09.2015	4	4	2	2	0	0	6	6
29.12.2015	3	3	2	2	1	0	6	5
30.01.2016	3	3	2	2	1	1	6	6
23.02.2016	3	3	2	2	1	1	6	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 Rakesh Sinha Chairman-cum-Mg. Director (upto 31.05.2015)	2	2	NIL
2	Shri S. Chakravarty Director (Technical) Opn. (upto 09.10.2015)	6	6	NIL
3	Shri K.S Patro Director (Personnel)	9	9	NIL
4	Shri B.R. Reddy Director (Technical) P&P (upto 29.02.2016)	9	8	NIL
5	Shri A.M. Marathe Director (Finance) (w.e.f 29.09.2015)	4	4	NIL
Part-time Official Directors:				
6	Shri V. Peddanna Director, MoC	9	8	NIL
7	Shri C.K. Dey Director (Finance), CIL Additional Charge, CMD ECL (w.e.f 01.06.2015)	9	9	2
Part Time Non-Official Director:				
8	Dr. Indira Chakravarty (w.e.f 17.11.2015)	3	2	NIL

(C) Remuneration of the Director:

(i) Functional Directors:

Name	Designation	Remuneration for the year 2015-16 (Amount in Rs.)		
		All elements of remuneration package (i.e. salary, pension, P.F., gratuity etc.)	Other benefits	Total
Shri Rakesh Sinha	Chairman-cum-Mg. Director (upto 31.05.2015)	416125.72	248569.00	664694.72
Shri S. Chakravarty	Director (Technical) Opn. (upto 09.10.2015)	1553867.00	529410.00	2083277.00
Shri K.S. Patro	Director (Personnel)	2265445.88	518661.00	2784106.88
Shri B.R. Reddy	Director (Technical) P&P (upto 29.02.2016)	2216988.15	739459.00	2956447.15
Shri A.M. Marathe	Director (Finance) (w.e.f 29.09.2015)	1128877.00	228930.00	1417807.00

(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.

SI No	Name of the Director	Total Sitting Fee Paid (Rs.)
1	Dr. Indira Chakravarty	68,700/-
	TOTAL	68,700/-

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, and Shri C.K. Dey (w.e.f 27.04.2015), 1 (one) part-time non-official directors viz. Dr. Indira Chakravarty

(w.e.f 29.12.2015) and 2 (two) Functional Director viz. Shri S. Chakravarty, Director (Technical) Operations (upto 09.10.2015) and Shri K.S Patro, Director (Personnel).

Shri V. Peddanna, part-time official directors was Chairman of the Audit Committee throughout the year.

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 2015-16. 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
27.04.2015	2	2	1	1	0	0	3	3
26.05.2015	2	2	2	2	0	0	4	4
28.07.2015	2	2	2	2	0	0	4	4
03.09.2015	2	2	2	2	0	0	4	4
29.12.2015	1	1	2	2	0	0	3	3
30.01.2016	1	1	2	2	1	1	4	4

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	6
2	Shri C.K. Dey (w.e.f 27.04.2015)	5	5
3	Dr. Indira Chakravarty (w.e.f 29.12.2015)	1	1
4	Shri S. Chakravarty (upto 09.10.2015)	4	4
5	Shri K.S. Patro	6	6

[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, 1 (one) part time non-official Director viz. Dr. Indira Chakravarty (w.e.f 29.12.2015) and three Functional Directors viz. Shri S. Chakravarty, Director (Technical) Operations (upto 09.10.2015), Shri B.R. Reddy, Director (Technical) Project and Planning (upto 29.02.2016) and Shri A.M Marathe, Director (Finance) (w.e.f 30.09.2015). Shri K.S. Patro, Director (Personnel) was also holding the additional charge of Director (Finance) from 05.06.2015 till 28.09.2015 and he attended the meeting of Sub-Committee on “Evaluation, Appraisal and Approval of projects” held during that period.

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 throughout the year. During the year 2015-16, 8 (eight) meetings of the Committee for Evaluation, Appraisal and Approval of Projects were held i.e. on 27.04.2015, 25.05.2015, 28.07.2015, 03.09.2015, 30.09.2015, 29.12.2015, 30.01.2016 and 22.02.2016. 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	8	8
2	Dr. Indira Chakravarty (w.e.f 29.12.2015)	2	2
3	Shri S. Chakravarty (upto 09.10.2015)	5	5
4	Shri K.S. Patro (as Director (Finance)) (from 05.06.2015 to 28.09.2015)	3	3
5	Shri B.R. Reddy (upto 29.02.2016)	8	7
6	Shri A.M. Marathe (w.e.f 30.09.2015)	3	3

[C] Committee on C.S.R. & Sustainability.

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, 1 (one) part time non-official Director viz. Dr. Indira Chakravarty (w.e.f 29.12.2015) and (4) four Functional Directors viz. Shri S. Chakravarty, Director (Technical) Operations (upto 09.10.2015), Shri K.S. Patro, Director (Personnel), Shri B.R. Reddy, Director (Technical) Project and Planning (upto 29.02.2016) and Shri A.M Marathe, Director (Finance) (w.e.f 30.09.2015).

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

During the year 2015-16, 3 (three) meetings of the Committee on C.S.R. & Sustainability were held i.e. on 28.07.2015, 03.09.2015 and 23.02.2016. Shri V. Peddanna, Part time Official Director was the Chairman of the committee for the first two meetings held on 28.07.2015 & 03.09.2015. Dr. Indira Chakravarty was Chairman of the Committee for the remaining meeting. 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	3	3
2	Dr. Indira Chakravarty (w.e.f 29.12.2015)	1	1
3	Shri S. Chakravarty (upto 09.10.2015)	2	2
4	Shri K.S. Patro	3	3
5	Shri B.R. Reddy (upto 29.02.2016)	3	2
6	Shri A.M. Marathe (w.e.f 30.09.2015)	1	1

[D] Committee on Performance Review.

In the 285th meeting of the ECL Board, Performance Review Committee was constituted. The Committee consisted 2 (two) part time Official Director, viz. Shri V. Peddanna and Shri C.K. Dey (upto 23.02.2016), 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 2015-16, 1 (one) meeting of the Performance Review Committee was held i.e. on 23.02.2016.

Company Secretary is Secretary to the Committee and General Manager (P&P), General Manager (Exc.v.), 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	1	1
2	Shri C.K. Dey (upto 23.02.2016)	1	0
3	Dr. Indira Chakravarty (w.e.f 23.02.2016)	0	0
4	Shri K.S. Patro	1	1
5	Shri A.M. Marathe	1	1

[E] Committee of Directors.

A Committee of Directors was constituted with approval of Chairman-cum-Mg. Director which was subsequently ratified by the ECL Board in its 284th meeting held 29.12.2015. The committee was constituted to consider the Second Quarter/Half Yearly Financial Result of the Company for the period ending 30th September, 2015. The members of the Committee were Shri C.K. Dey, Chairman cum-Mg. Director (Additional Charge) to function as Chairman of the Committee, Shri V. Peddanna, Part time Official Director, Shri B.R. Reddy, Director (Technical) P&P and Shri A.M. Marathe, Director (Finance). Company Secretary is secretary to the Committee. 1 (one) meeting of Committee of Directors was held during 2015-16. The meeting was held on 06.11.2015 and all the members of the Committee attended the meeting.

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 2015-16:

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 R P Boobna & Co., Karnani Estate, 209 AJC Bose Road, 2 nd Floor, Room No.-87, Kolkata-700017
4.	M/s. Gupta & Co. 53A, Mirza Ghalib Street, Flat No. 3C, Kolkata-700016
5.	M/s Virendra Surana & Co., Near Vivekananda College, Sripalli, Burdwan-713103
6.	M/s. Roy Ghosh & Associates, 39, Kalna Road, Badamtala, Burdwan-713401

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
2012-13	25.05.2013 11:00 AM	Sanctoria	Shri Rakesh Sinha, CMD, ECL Shri D. Sett, Chief Manager(F), CIL, Representative of CIL, Chairman, CIL and Director (Finance), CIL Shri S.M. Sharma, Chairman, Audit Committee Shri S.K. Srivastava, D (P), ECL Shri S. Chakravarty, D (T) Operation, ECL (member of audit committee) Shri C.K. Dey, D(F), ECL	-
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).	-
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, 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	

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 C.K. Dey, Chairman-cum-Mg. Director (Additional Charge) was placed in the 289th Board Meeting is annexed to the Corporate Governance Report as **Annexure-C**.

(f) Compliance with applicable laws:

During the Financial Year 2015-16, 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, 2016 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, 2016 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 2015-16, 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 31.08.2015.

M CHOUDHURY & CO.

Chartered Accountants

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Kolkata - 700 068.

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 2016.

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 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

6th June 2016
Kolkata