



# **GMR ENTERPRISES PRIVATE LIMITED**

## **Internal Guidelines on Corporate Governance**



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## **Internal Guidelines on Corporate Governance**

### **1. OBJECTIVE**

These Internal Guidelines on Corporate Governance ("Guidelines") draws reference to the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India ("RBI") vide its notification DNBR/2016-17 /45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016.

As per the Directions *inter alia* all non-deposit accepting Non-Banking Financial Companies with asset size of Rs.500 crore and above (NBFCs-ND-SI), as per its last audited balance sheet should frame internal guidelines on Corporate Governance with the approval of the Board of Directors and it shall be published on the Company's website for the information of various stakeholders. GMR Enterprises Private Limited ("Company") being an NBFC-ND-SI, is accordingly covered by the Directions.

These guidelines are to be read in conjugation with Companies Act, 2013, Rules made thereunder, Master Circulars and Directions issued by the Reserve Bank of India (RBI), the Securities and Exchange Board of India (Listing obligations and Disclosure Requirements) Regulations, 2015 and other statute, laws, standards or other governmental instructions relating to Corporate Governance.

### **2. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Company's Philosophy on Corporate Governance is a combination of voluntary practices and compliance with laws and regulations leading to delegation of operational powers to experienced staff members, effective control oversight mechanism, strategies and policies which are constantly reviewed and strengthened to be in alignment with market realities and overall management of the organization. In ensuring that the desired levels of corporate governance practices are imbibed in the organisation and with a focus on its own fiduciary & trusteeship role, the Board of Directors of the Company seeks to evolve, strengthen and adopt structures and policies which would align and direct the actions of the organisation towards creating wealth and shareholders' value. The Board has adopted various code and policies to carry out duties and functions in most ethical and compliant manner and some of them are:

- i. Code of Conduct for the Board and Senior Managerial Personnel;
- ii. Fair Practice Code;
- iii. Investment Policy;
- iv. Loan Policy;



- v. Nomination & Remuneration Policy;
- vi. Compensation Policy
- vii. Policy on appointment of Statutory Auditors;
- viii. Policy for fit and proper criteria;
- ix. Corporate Social Responsibility Policy;
- x. Policy on Related Party Transactions;
- xi. Policy on Whistle Blower;
- xii. Policy on preservation of documents and Archival;
- xiii. Policy on Resource Planning;
- xiv. KYC Policy;
- xv. Information System (IS) Audit Policy;
- xvi. Information Technology Policies;
- xvii. Policy on Material Subsidiary;
- xviii. Policy on Board Diversity;
- xix. Risk Management Policy;
- xx. Risk Based Internal Audit Policy;
- xxi. Policy on appointment of CRO;
- xxii. Compliance Policy;
- xxiii. Policy on ALM .

### **3. GUIDELINES ON CORPORATE GOVERNANCE**

In pursuance of the Directions issued by the Reserve Bank of India, the Company has framed the Internal Guidelines on Corporate Governance.

### **4. BOARD OF DIRECTORS**

The Company shall maintain an optimum combination of the Board pursuant to the applicable statutory provisions/ regulatory guidelines. Eminent persons, who can effectively contribute to the Company's business and policy decisions, should be considered by the Nomination & Remuneration Committee for appointment as Director on the Board. The number of directorships and memberships held in other companies by such persons should also be considered. The Board should consider the recommendations of the Nomination & Remuneration Committee and take appropriate decisions with regard to continuance of and induction of new members on the Board of the Company, after ascertaining the 'fit and proper' status.

The Board shall review and approve business strategy and oversees the actions and results of the management to ensure that the long-term objectives of enhancing stakeholder value are achieved.

#### **Composition**

The Composition of the Board shall be governed by the Articles of Association of the Company read with the applicable provisions of the Companies Act, 2013 (the Act),



the Rules framed thereunder read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations) and RBI Master Directions as applicable.

### **Meetings of the Board**

At least four meetings shall be held during a year and the time interval between the two meetings shall not be more than 120 days. The facility to participate in the meeting through video conferencing shall be made available to the Directors travelling abroad or present at any locations as per applicable provisions of Law.

## **5. BOARD COMMITTEES**

Board shall constitute a set of Committees with specific terms of reference/ mandate, as to effectively focus on the issues falling under their jurisdiction. Minutes of proceedings of Committee meetings shall be placed before the Board at their meetings held immediately after minutes of such meeting entered in the Minutes Book, for noting.

Pursuant to the extent statutory provisions/ regulatory guidelines and business requirements, the Board may constitute the following Committees:

### **I. Audit Committee**

The Board may constitute a qualified Audit Committee. The Audit Committee shall comprise of minimum three directors possessing considerable experience and expertise in accounting and financial management.

The composition and terms of reference of the Audit Committee should be in accordance with Section 177 of the Companies Act, 2013, requirements prescribed in Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 and the SEBI Listing Regulations, to the extent applicable.

### **Meetings of the Audit Committee**

The Committee shall meet 4 times a year as well as whenever required.

### **II. Nomination & Remuneration Committee (NRC)**

The Board may constitute a NRC which shall comprise of at least three non-executive directors out of which two third shall comprise of Independent Directors and the Chairman shall be an Independent Director.

The Board of Directors of the company shall adopt Nomination and Remuneration Policy *inter alia* to deal with the manner of selection of Board of Directors, KMP and Managing Director, Senior Management, their remuneration and shall lay down the criterion for selection & continuance on the Board of the Company. The NRC shall administer the Nomination & Remuneration Policy, Compensation Policy and the Employee's Stock Option Scheme as applicable.



NRC shall ensure that the Board comprises of a balanced combination of executive and Non-executive Directors as applicable and formulate 'fit and proper' criteria for determining qualifications, positive attributes, independence of Independent Directors including code of conduct and make recommendations to the Board for appointment & remuneration of the Directors, KMPs and Senior Management. NRC shall devise a policy on diversity of Board of Directors and carry Board evaluation of performance of Independent Directors and Board.

The Composition and terms of reference of the NRC shall be in compliance with provisions of section 178 of the Companies Act, 2013 read with SEBI Listing Regulations, to the extent applicable, to the extent applicable.

### **Meetings of the NRC**

The NRC shall meet at least once a year.

### **III. Risk Management Committee (RMC)**

The Board may constitute a RMC in compliance with RBI Master Directions for NBFCs / CICs read with SEBI Listing Regulations with majority of Directors including at least one independent director, functional heads and CRO as its members. The Chairperson of RMC shall be a member of the Board and RMC.

The quorum for a meeting of RMC shall be either two members or one third of the members of the RMC, whichever is higher, including at least one member of the Board in attendance.

RMC shall formulate framework for identification and monitoring of internal / external risks, measure risk mitigation, Business continuity plan, Liquidity Risk management matters, MIS, Internal Controls, monitoring, governing & overseeing implementation of the Risk Management Policy, review of operational risk, information technology risk and integrity risk, taking strategic actions to mitigate the risk associated with the nature of the business and appraise the Board at regular intervals regarding risk management policy and strategy.

The Company has robust business risk management framework capable of identifying business risks, liquidity risks commensurate with its activities.

### **Meetings of the RMC**

RMC shall meet at least twice in a year and not more than one 180 days shall elapse between any two consecutive meetings.



## **6. EXECUTIVE COMMITTEES OF THE BOARD**

### **I. Asset Liability Management Committee (ALCO)**

The Board may constitute an Asset Liability Management Committee (ALCO), which shall be led by Board of Directors of the Company, Chief Executive Officer or Managing Director or Executive Director (as applicable). The Chiefs of Investment, Credit, Resources Management or Planning, Funds Management / Treasury, International Business and Economic Research may be members of the Committee.

The ALCO shall be responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Company. The CEO shall head the Committee. The Chiefs of Investment, Credit, Resource Management or Planning, Funds Management/ Treasury (forex and domestic), Economic Research (as applicable) may be members of the Committee. The role of the ALCO with respect to liquidity risk should include, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions of all branches. Minutes of proceedings of ALCO shall be placed before the Board at their meetings immediately held after minutes of such meetings entered in the Minutes Book, for noting.

The facility to participate in the meeting through video conferencing shall be made available to the Members of the Committee travelling abroad or present at other locations.

#### **Meetings of the ALCO**

ALCO may meet whenever required, as applicable.

## **7. FIT AND PROPER CRITERIA**

- (a) The Company shall undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. Company shall obtain necessary information and declaration from the proposed / existing directors.
- (b) The process of due diligence shall be undertaken by the Company at the time of appointment / renewal of appointment.
- (c) NRC, shall scrutinize the declarations received from Directors, other Senior Officials as applicable.
- (d) Based on the information provided in the signed declaration, NRC/Board shall decide on the acceptance or otherwise of the directors, where considered necessary.
- (e) The Board shall obtain annually as on 31<sup>st</sup> March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.



- (f) The Board must ensure in public interest that the nominated/ elected directors execute the deeds of covenants in the format prescribed by RBI.
- (g) The Company furnish to the RBI a quarterly statement on change of directors, and a certificate from the Director of the Company that fit and proper criteria in selection of the directors has been followed. The statement must reach the Regional Office of the Department of Non-Banking Supervision of RBI where the company is registered, within 15 days of the close of the respective quarter. The statement submitted by the Company for the quarter ending March 31, shall be certified by the auditors.

## **8. ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)**

The appointment of the statutory auditors shall be made in compliance of the provisions of the Companies Act, 2013, Rules made thereunder read with RBI Circular No. RBI/2021-22/25 dated April 27, 2021 and other applicable provisions. Company to appoint the Auditors for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.

## **9. RELATED PARTY TRANSACTIONS**

The Board shall formulate a Policy on “Related Party Transactions” (RPT). All Related Party Transactions shall be reported to the Audit Committee for its approval.

Provided that Audit Committee may provide omnibus approval for related party transactions proposed to be entered into by the Company subject to the conditions as may be prescribed in the Companies Act, 2013 read with the Rules made thereunder and SEBI Listing Regulations and the policy laid down in this regard.

## **10. APPOINTMENT OF CHIEF RISK OFFICER (CRO)**

- (a) The Board may appoint Chief Risk Officer (CRO) who shall be a senior official in the hierarchy of the Company and shall possess adequate professional qualification/ experience in the area of risk management.
- (b) The CRO is required to function independently so as to ensure highest standards of risk management.
- (c) The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Non-Banking Supervision of the Regional Office of the RBI under whose jurisdiction the Company is registered.
- (d) The CRO shall directly report to the MD & CEO/ Risk Management Committee (RMC) of the Board. In case the CRO reports to the MD & CEO, the RMC/ Board shall meet the CRO without the presence of the MD & CEO, at least on a quarterly basis. The CRO shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets. Further, there shall not be any ‘dual hatting’ i.e. the CRO shall not be given any other responsibility.





## **11. APPOINTMENT OF CHIEF COMPLIANCE OFFICER (CCO)**

- (a) As per RBI Circular dated April 11, 2022 read with Revised Regulatory Framework for NBFCs' Circular dated October 22, 2021, the Company being NBFC-ML is required, to have an independent Compliance Function, appoint Chief Compliance Officer (CCO) and have Board approved Compliance Policy.
- (b) The CCO shall be the nodal point of contact between the Company and the regulators/ supervisors and shall necessarily be a participant in the structured or other regular discussions held with RBI. Further, compliance to RBI inspection reports shall be communicated to RBI necessarily through the office of the Compliance Function.
- (c) The terms of appointment and tenure of Chief Compliance officer as prescribed in said guideline is enumerated below:
- (d) The CCO shall be appointed for a minimum fixed tenure of not less than 3 years. However, in exceptional cases, the Board Committee may relax the minimum tenure by one year, provided appropriate succession planning is put in place;
- (e) The CCO shall be transferred / removed before completion of the tenure only in exceptional circumstances, with the explicit prior approval of the Board / Board Committee, after following a well-defined and transparent internal administrative procedure;
- (f) The CCO shall be a senior executive of the Company with a position not below one levels from the CEO for Company being NBFCs-ML. If the Company considers necessary, the CCO can also be recruited from the market;
- (g) The CCO shall have a good understanding of the industry and risk management practices, knowledge of regulations, legal requirements, and have sensitivity to Supervisory expectations;
- (h) The CCO shall have the ability to exercise judgment independently and have the freedom and authority to interact with regulators / supervisors directly and ensure compliance;
- (i) CCO shall have a clean track record and unquestionable integrity.
- (j) The CCO shall have direct reporting lines to the MD & CEO and / or Board / Board Committee. In case the CCO reports to the MD & CEO, the Board / Board Committee shall meet the CCO at quarterly intervals on a one-to-one basis, without the presence of the senior management, including MD & CEO. The CCO shall not have any reporting relationship with the business verticals. Further, the performance appraisal of the CCO shall be reviewed by the Board / Board Committee.
- (k) Company is required to have Board-approved Compliance Policy clearly spelling out its Compliance philosophy, expectations on Compliance culture, structure and role of the Compliance function, the role of CCO, processes for identifying, assessing, monitoring, managing, and reporting on Compliance risk.

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Version 1 – Approved by the Board on March 23, 2017;  
Version 2 – Approved by the Board on June 24, 2019;  
Version 3 – Approved by the Board on May 30, 2023.