

The terms of appointment of Independent Director on the Board of GMR Aerospace Engineering Limited (GAEL) and GMR Aero Technic Limited (GATL) (hereinafter GAEL and GATL are collectively referred as “**MRO Companies**”).

1. Appointment

- 1.1 In accordance with the provisions of the Companies Act, 2013, Mr. K.A. Somayajulu and Mr.R.S.Reddy (“IDs”) has been appointed as an Independent Director on the Board of Directors of MRO Companies for a period of two years.
- 1.2 In compliance with the provisions of Section 149 of the Companies Act, 2013, IDs directorship is not liable to retirement by rotation.
- 1.3 IDs re-appointment at the end of the term shall be based on recommendation of the Nomination and Remuneration Committee and subject to the approval of the Board of Directors and shareholders of the Company and the provisions of the Companies Act, 2013.

2. Board Committees

IDs are also appointed as the member of the Audit Committee & Nomination & Remuneration Committee of the Board of Directors of the Company with effect from 31<sup>st</sup> March 2015. The terms of the reference of both these Committees are attached as Annexure -1 to this letter.

During the tenure of IDs office, the Board of Directors may appoint IDs in one or more of the Board Committees or any such Committee that is set up in the future. IDs appointment on such Committee(s) will be subject to the applicable regulations.

3. Role, duties and responsibilities

The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs. As an Independent Director, IDs have the same general legal responsibilities to the Company as any other Director consistent with the Act and the Rules made thereunder.

In addition to the above requirements for all Directors, being an Independent Director shall abide by the Code for Independent Directors as laid down under Schedule IV of the Companies Act, 2013, or any amendments thereto and duties of Directors as provided in Section 166 of the Act. A copy of the Schedule IV (Code for Independent Director) as Annexure-2 and an extract of the Section 166 (Duties of Directors) as Annexure-3 are attached to this letter.

Further, in terms of Section 149 (7) being an Independent Director shall give a declaration to the Company that IDs meet the criteria of the independence as provided in Section 149 (6) of the Companies Act, 2013, at the first meeting of the Board of the Company in every financial year or whenever there is a change in the circumstances which may affect IDs status as an Independent Director.

4. Time Commitment

By accepting this appointment, IDs confirm that IDs are able to allocate sufficient time for the proper performance of their role, duties and responsibilities to meet the expectations to the satisfaction of the Board.

5. Status of Appointment

5.1 IDs will not be an employee of the Company and this letter shall not constitute a contract of employment. As an Independent Director, IDs will be paid sitting fees for attending the meetings of the Board and the Committees for which IDs are a member as may be decided by the Board.

5.2 The Company will, for the period of IDs appointment, reimburse IDs such travel fares and reasonable expenditure, as may be incurred by IDs while performing their role as an Independent Director of the Company.

6. Induction Process

On IDs appointment, IDs will be invited to attend an induction programme, including briefings from management and site visits. Please avail of these opportunities to familiarize with the business and affairs of the Company, growth plans, the peculiarities of the industry in which the Company operates its goals and expectations and long term plans and objectives.

7. Liability

The Company shall not be liable for acts, if any, carried out which do not form part of the normal fiduciary duties and responsibilities as Director of the Company or acts which arise out of negligence, willful omission or commission or willful concealment of fact(s) in prior knowledge or coming to the fore during the course of tenure as Director.

8. Availability of Liability Insurance

The Company is covered under a Directors and Officers liability Insurance Policy to pay for the personal liability of Directors and Officers for claims made against them while serving the Company.

9. Conflict of Interest

9.1 It is accepted and acknowledged that IDs may have business interests other than those of the Company. As a condition to IDs appointment commencing, IDs are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form at the time of appointment and whenever there is any change in any such disclosures already made to the Company.

9.2 In the event that IDs circumstances seem likely to change and might give rise to a conflict of interest or, when applicable, circumstances that might lead the Board to revise its judgment that IDs are independent, this should be disclosed to both the Chairman and the Company Secretary.

10. Confidentiality

All information acquired during IDs appointment is confidential to the Company and should not be released, either during IDs appointment or following termination (by whatever means) to third parties without prior clearance from the Chairman unless required by law or by the rules of any stock exchange or regulatory body.

11. Performance Appraisal / Evaluation Process

As a member of the Board, IDs performance will be evaluated on the basis of the criteria determined by the Nomination and Remuneration Committee and as prescribed under the Companies Act, 2013. The criteria for performance evaluation, as laid down by the Nomination and Remuneration Committee shall be disclosed in the Company's Annual Report.

12. Termination

- a. IDs directorship on the Board of the Company shall terminate or cease in accordance with law.
- b. IDs may resign from the directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation. The resignation shall take effect from the date on which notice is received by the Company or date, if specified by IDs in the Notice whichever is later.

13. Governing Law

This letter of appointment is governed by and shall be construed in accordance with, the laws of India, and IDs engagement shall be subject to the jurisdiction of courts in Hyderabad, India.

14. Acceptance of appointment

If the terms of appointment relating to appointment as an Independent Director of the Company are acceptable to IDs, please confirm acceptance of these terms by signing and returning to us the copy of appointment letter.

Annexure-1

**Terms of Reference of Audit Committee**

- review of financial statements, quarterly / half yearly / annual as the case may be, before the same are submitted to the Board for approval
- periodic discussions with auditors regarding internal control systems, scope of the Statutory / Internal audit, audit observations etc.,
- the recommendation for appointment, remuneration and terms of appointment of Statutory Auditors
- Review and monitor the Auditor's independence and performance, and effectiveness of audit process

- examination of the financial statement and the auditors' report thereon
- approval or any subsequent modification of transactions of the company with related parties
- scrutiny of inter-corporate loans and investments
- valuation of undertakings or assets of the company, wherever it is necessary
- evaluation of internal controls systems including financial controls and risk management systems
- monitoring the end use of funds raised through public offers and related matters
- any other matters as may be referred by the Board of Directors.

### **Terms of Reference of Nomination & Remuneration Committee**

The Committee:

- shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down
- shall recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance
- shall formulate the criteria for determining qualifications, positive attributes and independence of a director
- shall recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees
- shall formulate a policy after taking into consideration the following:
  - the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully
  - relationship of remuneration to performance is clear and meets appropriate performance benchmarks
  - remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals

The Committee shall discuss and deal with the matters as may be prescribed in the Act and Rules thereon and amended from time to time and in accordance with the policies adopted in the GMR Group.”

Annexure-2

### **CODE FOR INDEPENDENT DIRECTORS (As per SCHEDULE IV of Companies Act, 2013)**

The Code is a guide to professional conduct for Independent Directors. Adherence to these standards by independent directors and fulfillment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of Independent Directors.

## **I. Guidelines of professional conduct**

An Independent Director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a bona fide manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his independence;
- (8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

## **II. Role and functions:**

The Independent Directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;

- (7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### **III. Duties:**

The Independent Directors shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;

- (13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

**IV. Manner of appointment:**

- (1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- (2) The appointment of Independent Director(s) of the company shall be approved at the meeting of the shareholders.
- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the Independent Director proposed to be appointed fulfills the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
- (4) The appointment of Independent Directors shall be formalised through a letter of appointment, which shall set out :
- (a) the term of appointment;
  - (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
  - (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - (d) provision for Directors and Officers (D and O) insurance, if any;
  - (e) the Code of Business Ethics that the company expects its directors and employees to follow;
  - (f) the list of actions that a director should not do while functioning as such in the company; and
  - (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- (5) The terms and conditions of appointment of Independent Directors shall be open for inspection at the registered office of the company by any member during normal business hours.
- (6) The terms and conditions of appointment of Independent Directors shall also be posted on the company's website.

**V. Re-appointment:**

The re-appointment of Independent Director shall be on the basis of report of performance evaluation.

**VI. Resignation or removal:**

- (1) The resignation or removal of an Independent Director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- (2) An Independent Director who resigns or is removed from the Board of the company shall be replaced by a new Independent Director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
- (3) Where the company fulfills the requirement of Independent Directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new Independent Director shall not apply.

**VII. Separate meetings:**

- (1) The Independent Directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (2) All the Independent Directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:
  - (a) review the performance of non-independent directors and the Board as a whole;
  - (b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
  - (c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.



### **VIII. Evaluation mechanism:**

- (1) The performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the Independent Director.

Annexure-3

### **DUTIES OF DIRECTORS (AS PER 166 OF THE COMPANIES ACT, 2013)**

- 1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
- 2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- 3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- 4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- 5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- 6) A director of a company shall not assign his office and any assignment so made shall be void.
- 7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.