

# HEXA TRADEX LIMITED

## *POLICY ON CORPORATE GOVERNANCE*

### DEFINITION AND PURPOSE

Hexa Tradex Limited (HTL) defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth generating capacity. Since large corporations employ vast quantum of societal resources, we believe that the governance process should ensure that these companies are managed in a manner that meets stakeholders aspirations and societal expectations.

### CORE PRINCIPLES

HTL's Corporate Governance initiative is based on two core principles. These are :

- Management must have the executive freedom to drive the enterprise forward without undue restraints; and this freedom of management should be exercised within a framework of effective accountability.
- HTL believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the Company, and simultaneously create a mechanism of checks and balances which ensures that the decision making powers vested in the executive management is not only not misused, but is used with care and responsibility to meet stakeholder aspirations and societal expectations.

### CORNERSTONES

From the above definition and core principles of Corporate Governance emerge the cornerstones of HTL's governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. HTL believes that the practice of each of these leads to the creation of the right corporate culture in which the company is managed in a manner that fulfils the purpose of Corporate Governance.

### TRUSTEESHIP

HTL believes that large corporations like itself have both a social and economic purpose. They represent a coalition of interests, namely those of the shareholders, other providers of capital, business associates and employees. This belief therefore casts a responsibility of trusteeship on the Company's Board of Directors. They are to act as trustees to protect and enhance shareholder value, as well as to ensure that the Company fulfills its obligations and responsibilities to its other stakeholders. Inherent in the concept of trusteeship is the responsibility to ensure equity, namely, that the rights of all shareholders, large or small, are protected.

## TRANSPARENCY

HTL believes that transparency means explaining Company's policies and actions to those to whom it has responsibilities. Therefore transparency must lead to maximum appropriate disclosures without jeopardising the Company's strategic interests. Internally, transparency means openness in Company's relationship with its employees, as well as the conduct of its business in a manner that will bear scrutiny. We believe transparency enhances accountability.

## EMPOWERMENT AND ACCOUNTABILITY

Empowerment is an essential concomitant of HTL's first core principle of governance that management must have the freedom to drive the enterprise forward. HTL believes that empowerment is a process of actualizing the potential of its employees. Empowerment unleashes creativity and innovation throughout the organization by truly vesting decision-making powers at the most appropriate levels in the organizational hierarchy.

HTL believes that the Board of Directors are accountable to the shareholders, and the management is accountable to the Board of Directors. We believe that empowerment, combined with accountability, provide an impetus to performance and improve effectiveness, thereby enhancing shareholder value.

## CONTROL

HTL believes that control is a necessary concomitant of its second core principle of governance that the freedom of management should be exercised within a framework of appropriate checks and balances. Control should prevent misuse of power, facilitate timely management response to change, and ensure that business risks are pre-emptively and effectively managed.

## ETHICAL CORPORATE CITIZENSHIP

HTL believes that corporations like itself have a responsibility to set exemplary standards of ethical behavior, both internally within the organization, as well as in their external relationships. We believe that unethical behavior corrupts organizational culture and undermines stakeholder value.

## THE GOVERNANCE STRUCTURE

Flowing from the philosophy and core principles, Corporate Governance in HTL shall take place at three interlinked levels, namely -

- Strategic supervision by the Board of Directors
- Strategic management by the Corporate Management Committee
- Executive management by the SBU-Head assisted by the SBU Management Committee

It is HTL's belief that the right balance between freedom of management and accountability to shareholders can be achieved by segregating strategic supervision from strategic and executive management. The Board of Directors (Board) as trustees of the shareholders will exercise strategic supervision through strategic direction and control, and seek accountability for effective strategic management from the Corporate Management Committee (CMC). The CMC will have the freedom, within Board approved direction and framework, to focus its attention and energies on the strategic management of the Company. The SBU-Head, assisted by the SBU Management Committee, will have the freedom to focus on the executive management of the SBU business.

### THE 3-TIER GOVERNANCE STRUCTURE THUS ENSURES THAT -

- Strategic supervision (on behalf of the shareholders), being free from involvement in the task of strategic management of the Company, can be conducted by the Board with objectivity, thereby sharpening accountability of management.
- Strategic management of the Company, uncluttered by the day-to-day tasks of executive management, remains focused and energised; and
- Executive management of the SBU business, free from collective strategic responsibilities for HTL as a whole, gets focused on enhancing the quality, efficiency and effectiveness of its business

### ROLES

The core roles of the various entities at the three levels of Corporate Governance will be as follows:

#### BOARD OF DIRECTORS (BOARD):

The primary role of the Board of Directors is that of trusteeship to protect and enhance shareholder value through strategic supervision of HTL, its wholly owned subsidiaries and their wholly owned subsidiaries. As trustees they will ensure that the Company has clear goals relating to shareholder value and its growth. They should set strategic goals and seek accountability for their fulfillment. They will provide direction, and exercise appropriate control to ensure that the Company is managed in a manner that fulfills stakeholder aspirations and societal expectations. The Board must periodically review its own functioning to ensure that it is fulfilling its role.

The Board shall meet at least four times a year and as far as possible meetings will be held once in a quarter. As laid down in the Articles of Association of the Company, the quorum for meetings shall be one third of members and decisions shall be taken by simple majority, unless statutorily required otherwise. Meetings shall be governed by a structured agenda. All major issues included in the agenda shall be backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers, as far as practicable, shall be circulated at least seven working days prior to the meeting. Minutes shall be circulated within 15 working days of the meeting and confirmed at the next meeting. Board decisions shall record the related logic as far as practicable.

The Board shall have the following Committees whose terms of reference shall be determined by the Board from time to time:

**Audit Committee** : To provide assurance to the Board on the adequacy of internal control systems and financial disclosures. The Head of Internal Audit will act as co-ordinator to the Audit Committee, but will be administratively under the control of the Director accountable to the Board for the Finance function.

**Remuneration Committee** : To recommend to the Board compensation terms for Whole-Time Directors and the senior most level of management below the Managing Directors.

**Stakeholder Relationship Committee** : To look into redressal of shareholder and investors grievances, approval of transmissions, sub-division of shares, issue of duplicate shares, etc.

**CSR Committee** : To be constituted.

Terms of Reference of the Board Committees shall include :

- Objectives, Role, Responsibilities
- Authority / Powers
- Membership & Quorum
- Chairmanship
- Tenure
- Frequency of Meetings

The composition of these Committees will be as follows:-

COMMITTEE	MEMBERS	CHAIRMAN
Audit Committee	Non-Executive Directors of the Company, as may be decided by the Board. The Director responsible for the Finance function, Head of Internal Audit and representative of Statutory Auditors shall be Invitees with the Company Secretary as the Secretary. The Managing Director shall be permanent invitee.	One of the Independent Directors, to be determined by the Committee
Remuneration Committee	Non-Executive Directors of the Company, as may be decided by the Board. The Managing Director shall be permanent invitee.	One of the Independent Directors, to be determined by the Board
Stakeholder Relationship Committee	Directors of the Company, as may be decided by the Board, with the Company Secretary as the Secretary. The Managing Director shall be permanent invitee.	One of the Non-Executive Directors, to be determined by the Board
CSR Committee ( <i>to be constituted</i> )	The Vice Chairman and Non-Executive Directors of the Company as may be decided by the Board with the Company Secretary as the Secretary. The Managing Director shall be permanent invitee.	Vice Chairman

Normally meetings of the Board Committees shall be convened by their respective Chairmen. However, any member of the Committee may, with the consent of the concerned Chairman, convene a meeting of the Committee.

Signed minutes of Board Committee meetings shall be tabled for the Board's information as soon as possible. However, issues requiring Board's attention / approval should be tabled in the form of a note to the Board from the Committee Chairman. In the event there are no issues to be brought before the Board by the Audit Committee, the Committee Chairman shall submit a 'NIL' report to the Board.

### MANAGING DIRECTOR

- As Head of the CMC, contribute to the strategic management of the Company's businesses within Board approved direction / framework.
- As Director accountable to the Board for a business / function (Line Director), assume overall responsibility for the strategic management including governance processes and top management effectiveness for businesses / functions reporting to him.
- As Director accountable to the Board for a wholly owned subsidiary, or its wholly owned subsidiary (Line Director), act as the custodian of HTL's interest and be responsible for their governance in accordance with the charter approved by the Board.
- As Director accountable to the Board for a particular corporate function (Line Director), assume overall strategic responsibility for its performance.

### STRETEGIC BUSINESS UNIT MANAGEMENT COMMITTEE (SBU-MC)

Executive management of the SBU business to realize tactical and strategic objectives in accordance with CMC / Board approved plan. Composition of the SBU-MC shall be determined by the Line Director with the approval of the CMC. The SBU-Head shall convene and chair the SBU-MC meetings. If the SBU-Head, for any reason, is not in a position to convene a required SBU-MC meeting, he shall in writing delegate the power to convene and chair the required meeting to one of the SBU-MC members identified by name. Such delegation should be either for a specific meeting or for meetings to be held during a specific period of time. It cannot be a general, open-ended delegation. The key functions of the SBU shall be represented on the SBU-MC. Normally the SBU Financial Controller, in addition to being a member, shall act as the Secretary to the SBU-MC and will be responsible for circulation and custody of agenda notes and minutes. The SBU-MC shall generally meet at least once a month to review SBU performance and related issues. Quorum for meetings shall be 50% of the members subject to a minimum of three members. Decisions will be taken by simple majority. Minutes of meetings shall be tabled before the CMC for its information. Agenda items shall be backed by comprehensive notes from the relevant member / invitee. Agenda papers, as far as practicable, shall be circulated at least three days prior to the meeting.

### SBU-HEAD

The SBU-Head shall function as the Chief Operating Officer with executive responsibility for day-to-day operation of the SBU business, and shall provide leadership to the SBU Management Committee in its task of executive management of the SBU business.

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