

## **TERMS AND CONDITION FOR APPOINTMENT OF INDEPENDENT DIRECTORS**

**[SCHEDULE IV to the Companies Act, 2013]**

**[See section 149(8) of the Companies Act, 2013]**

### **Terms and Conditions of Appointment of Independent Directors**

Schedule IV to the Companies Act, 2013 provides for the 'Code for Independent Directors'. The appointment process of Independent Directors is independent of the company management. During the selection process, the Board ensures 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.

The appointment of Independent Director(s) of the Company is approved at the meeting of the shareholders. The Board always ensures that the Independent Director proposed to be appointed fulfils the conditions specified in the Act and the Rules made thereunder and that the proposed director is independent of the management and a statement to that effect is included in the explanatory statement attached to the notice of the meeting.

The terms and conditions for the appointment of the Independent Director are enumerated below:

#### **Appointment**

The appointment is for a term of 5 (five) years commencing from the date of appointment and ending ('Termination Date') on 6th Annual General Meeting of the Company following the date of appointment and shall not be liable to retirement by rotation. Unless the appointment is renewed on or prior to the Termination Date, the appointment shall come to an end on the Termination Date. The appointment is as per the Company's Articles of Association.

Notwithstanding the other provisions of the terms and conditions of the appointment of the Independent Director, the appointment may be terminated with or without cause at any time by the Company with immediate effect, in accordance with the Companies Act, 2013 and Rule and Regulations made thereunder and the Company's Articles of Association or, as applicable, or upon the resignation of the Independent Director, or the Board of Directors (excluding the concerned Independent Director) is of opinion that the continued appointment is not in the interest of the Company. Upon such termination or resignation of the appointment for any reason, the Independent Director shall not be entitled to any damages for loss of office and no fee will be payable in respect of any unexpired portion of the term of the appointment or any damages whatsoever. Upon such

termination or resignation, the Independent Director will have to undertake to sign all appropriate paperwork that the Company may require.

During the term of the appointment, the Independent Director may be asked to serve on one or more of the Board Committees including Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee or such committee of the Board of the Directors from time to time and copies of the terms of Reference for each of those committees will be provided to him.

If circumstances change, and the Independent Director believes that his independence may be in doubt, he should discuss this with the Chairman of the Company as soon as possible.

### **Time Commitment**

By accepting the appointment, the Independent Director confirms that he is able to allocate sufficient time to perform his role as an Independent Director of the Company.

In terms of the Companies Act, 2013, he will have to attend at least one Board Meeting during every Financial Year in-person. Also, he will strive to attend the Board / its committees' calls whenever scheduled as per the best convenience of all the attendees.

### **Role and responsibility**

As an Independent Director, he will be bound by the Code for Independent Directors as mentioned under Schedule IV to the Companies Act, 2013.

As an Independent Director, he has the same general legal responsibilities to the Company as any other Director including all fiduciary duties, responsibilities, statutory obligations and liabilities of directors prescribed in law including the Companies Act, 2013.

The Board as such is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The brief description of the terms of reference of the Board of Directors are as follows:

To manage and direct the business and affairs of the Company;

To manage, subject to the Articles of Association of the Company, its own affairs, including planning its composition, selecting its Chairman, appointing Committees, establishing the terms of reference and duties of Committees and determining Directors' compensation;

To act honestly and in good faith in the best interests and objects of the Company, its employees, its shareholders, the community and for protection of environment;

To exercise due care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and shall also exercise independent judgment;

To participate directly or through its Committees, in developing and approving the mission of the business, its objectives and goals and the strategy for their achievement;

To ensure congruence between shareholders' expectations, Company's goals, objectives and management performance;

To monitor the Company's progress towards its goals and to revise and alter its direction in light of changing circumstances;

To approve and monitor compliance with all significant policies and procedures by which the Company is operated;

To ensure that the Company operates at all times within applicable laws and regulations and ethical and moral standards;

To ensure that the performance of the Company is adequately reported to shareholders, other stakeholders and regulators on a timely and regular basis;

To ensure that the audited annual financial statements are reported fairly and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India;

To ensure that any developments that have a significant and material impact on the Company are reported from time to time to the concerned authorities;

Not to involve in a situation which may have a direct or indirect interest that conflicts, or possibly may conflict with the interest of the Company;

Not to 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;

Not to assign his office and any assignment so made shall be void; and

To act in accordance with the laws and regulations of the country and the Memorandum and Articles of Association of the Company.

In addition to the above responsibilities, the role of the Independent Directors shall also have the following key elements:

**Strategy and Business Development:** The Independent Director should constructively challenge and contribute to the overall strategy and to the business development initiatives of the Company by getting actively engaged with the Company in making introductions to potential clients in the key service areas of the Company;

**Performance:** The Independent Director should scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance; and

**Risk:** The Independent Director should satisfy himself that financial information is accurate and that financial controls and systems of risk management are robust and defensible.

#### **Other obligations and compliances**

The Independent Director will be required to execute / confirm with respect to the following documentation on a periodic basis:

Confirmation that he is not disqualified to act as a Director of the Company in terms of the Companies Act, 2013

Declaration of Independence in terms of the Companies Act, 2013

Disclosures under the Company Code for Prevention of Insider Trading

Code of Conduct for Directors of the Company

Code of Conduct for Independent Directors as per Schedule IV of the Companies Act, 2013

Disclosure of change in interest in companies where he is appointed / ceased as a Director or Key Managerial Personnel

Confirmation that his directorships in companies do not conflict with the interest of the Company.

#### **Remuneration**

As independent Directors, they shall be paid sitting fees for attending the meeting of the board and the Committees of which they are members. The sitting fees for attending each meeting of the Board and its Committees would be as determined by the Board from time to time.

In addition to the sitting fees, commission that may be determined by the Board may also be payable to them. In determining the amount of this commission, the Board supported

by the Nomination and Remuneration Committee may consider performance of the Company and their performance as evaluated by the Board.

Further, the Company may pay or reimburse to the Director such expenditure, as may have been incurred by them while performing their role as an Independent Director of the Company. This could include reimbursement of expenditure incurred by them for accommodation, travel and any out of pocket expenses for attending Board/Committee Meetings, General Meetings, court convened meetings, meetings with Shareholders/ Creditors/ Management, site visits, induction and training (organized by the Company for Director's) and in obtaining, subject to the expenses being reasonable, professional advice from independent advisors in the furtherance of their duties as Independent Directors.

#### Other directorships and Business Interests

The Company acknowledges that Independent Director may have business interests in other companies. In the event that he becomes aware of any potential conflicts of interests, these should be disclosed to the Chairman.

During the appointment, he should consult with the Chairman prior to accepting any such other (or further) directorships of Indian companies or any major external appointments which may affect his interest in the Company.

#### Code of Conduct

During the period of the appointment, the Independent Director will be bound by the Company Code of Directors and such other codes of conduct under applicable laws including the Companies Act, 2013 and the Securities and Exchange Board of India Act, 1992.

#### Confidentiality and Non-Disclosure

The Independent Director must apply the highest standards of confidentiality and not disclose to any person or company (whether during the course of the appointment or at any time after its termination) any confidential information concerning the Company and any Group Companies (including wholly owned subsidiaries) with which he comes into contact by virtue of his position as an Independent Director of the Company.

Any information concerning the Company's business, its customers, suppliers, etc. which is not in public domain and to which all employees do not have access, should be considered confidential for the purpose and should be held in confidence, unless authorised to do so and when disclosure is required as a requirement of law.

The attention is drawn to the requirements under Indian regulations as to the disclosure of price sensitive information. The Independent Director shall not provide any information either formally or informally, to the press or any other publicity media without prior written clearance from the Chairman or Company Secretary.

The examples of confidential information are, but not limited to the following:

Business plan, annual operations plan

Software developed / under development

Technical information about software and computer systems

Performance against target

Costing, pricing, profitability, financial budget and related issues

Fees / stipend, evaluations, recommendations etc. related to any of the employees of the Company

Sales commission, third party commission and about reference agents

Details of past, present and future contracts and proposals

Information about suppliers and/or customers

Communication facilities and equipment

Proposed ventures and corporate plans

Technical marketing and financial strategies of the Company and/or its customers

Core competencies and activities of the Company and/or its customers

Any other information, which is likely to be crucial for the business operations

On termination of the Appointment, the Independent Director will deliver to the Company all books, documents, papers, and other property of or relating to business of the company or any Group Company which are in their possession, custody or power by virtue of their position as an Independent Director of the Company. The Company will arrange the disposal of papers that he no longer requires.

If there is a breach or threatened breach of the provisions of Confidentiality, the Company shall be entitled to injunctive relief.

## **Liability**

An Independent Director will be liable only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board process, and with his consent or connivance or where he had not acted diligently.

## **Review Process**

The performance of individual Directors and the whole Board and its committees is evaluated annually. The Independent Director will have to make himself available for carrying out the annual / periodic performance review of himself and the Board committees where he is a part thereof for review purpose. Independent Director has to further confirm that he will extend his contribution to review of the Board of Directors individually as well as for its various committees on behalf of / as desired by the Board of Directors on an annual / periodic time frame.

If, in the interim, there are any matters which cause an Independent Director concern about his role, he can discuss them with the Chairman as soon as it is appropriate.

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) scrutinize 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 fulfils 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 fulfils 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.