



IMPERIAL

AUTO INDUSTRIES LIMITED

CIN:U74899DL1975PLC007737

ISO/TS 16949:2009, ISO 14001 COMPANY

(GOVERNMENT RECOGNISED EXPORT HOUSE)

Mailing Address:

Opp. Rly. Goods Shed Faridabad - 121001 (INDIA)

Phones : (91 -129), 4267600, 4269600, Fax: (91 -129) 2412136

E-mail : iai@impauto.com

Website : www.impauto.com



Date -----

To,

Mr/Mrs.-----,

-----,

Dear Sir/Madam,

Sub: Appointment as a Non-Executive Independent Director of Imperial Auto Industries Limited (the "Company")

We are pleased to inform you that the members of the Company at ----- General Meeting held on ----- have appointed you as an Non-Executive Independent Director of the Company for a period of ----(----) consecutive years w.e.f -----, which is pursuant to the provisions of Companies Act, 2013 and the rules made there under

The terms and Conditions of your appointment are as follows-

1. Term of Appointment : ----(----) years w.e.f -----

2. Role and Functions:

Your role and function shall abide by the Code for Independent Directors as outlined in Scheduled IV (Annexure-D) to Section 149(8) of the Companies Act, 2013 and duties of directors as provided in the Companies Act, 2013 (including section 166) which have been stipulated as under:

- 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;
- bring an objective view in the evaluation of the performance of board and management;
- scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- satisfy yourself on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- safeguard the interests of all stakeholders, particularly the minority shareholders;
- balance the conflicting interest of the stakeholders;

Regd. Office: 202, Kusal Bazar, 32-33 Nehru Place, New Delhi - 110019. INDIA. Tel.: (91)-01126419619, 2641202, 26448388.

PRODUCTS: BRAKE HOSES *FUEL & OIL HOSES * HYDRAULIC HOSES *RADIATOR HOSES * BEND HOSES *FUEL INJECTION PIPES

- 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;
 - Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
- 3. The Board expects a time commitment from your good self which would include the following:**
- You shall strive to attend all meetings of the Board of Directors and of the Board committees of which you are a Member
 - You shall participate constructively and actively in the Committees of the Board in which you are a Chairperson or Member (Annexure-B)
 - You shall strive to attend the General Meeting of the Board
You shall be intimated in advance of the Date, time and venue of the meetings of the Board or committee thereof in which you are a member and Annual General meeting and General meetings, if any, for attending the Said meetings.
- 4. While performing your duties as an Independent Director, the Board expects you to**
- Undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
 - 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;
 - Strive to attend all meetings of the Board of Directors and of the Board committees of which you a member;
 - Participate constructively and actively in the committees of the Board in which you are chairpersons or members;
 - Strive to attend the general meetings of the company;
 - Keep yourself well informed about the company and the external environment in which it operates;
 - 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;
 - 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;
 - Report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
 - Acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- 5. The company has taken Directors' and officers' Liability Insurance Policy to safeguard and protect the interest of its Directors and officers from any contingent liabilities as a good corporate governance measure and is renewed from time to time.**
- 6. you are expected to :**
- Abide by the Code for Independent Directors as specified under Schedule IV to the Companies Act, 2013

- Abide by the Imperial code of Conduct & ethics formulated and approval by the Board (Annexure-A)
- Follow the below mentioned professional conduct as an Independent Director of the Company:
 - Uphold ethical standards of integrity and probity;
 - Act objectively and constructively while exercising his duties;
 - Exercise his responsibilities in a bona fide manner in the interest of the company;
 - Devote sufficient time and attention to his professional obligations for informed and balanced decision making;
 - Where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
 - Assist the company in implementing the best corporate governance practices.

7. List of actions prohibited

You shall:

- Not Disclose the information acquired during your appointment as an Independent Director which are confidential to the company and should not be disclosed either during your appointment or following termination (by whatever means) to third parties except as permitted by law and with prior clearance from the Chairman.
- Not Undertake any action that would lead to loss of Independence
- Abuse your 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
- Not Allow any extraneous considerations that will vitiate 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;
- Not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board.
- 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.

8. Remuneration:

- You shall be reimbursed the expenses for participation in the Board and other Committee meetings.
- You shall be entitled to professional fees if the services rendered to the company by your good self are of a professional nature and you have the requisite qualification for the practice of the profession and
- In any other manner whatsoever as may be decided by the Board

9. Discontinuation:

- Your directorship on the Board of the company shall terminate or cease in accordance with law or in accordance with provisions contained in the articles (as may be amended from time to time). Apart from the grounds of termination as specified in the Act or articles, your directorship may be terminated for violation of any provision of the Code of Conduct of the Company.
- You 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 the notice is received by the company or the date, if any specified by you in the notice, whichever is later.
- If, at any state during the term of your Directorship, there is a change that may affect your status as an Independent Director as envisaged in Section 149(6) of the Companies Act, 2013. You agree to promptly submit your resignation to the company with effect from the date such change. You shall also promptly submit your resignation to the company as and when the Board of Directors by majority decision pass a resolution to that effect;

- Upon such termination or resignation for any reason or on not having been re-appointed by the Shareholders for any reason, you shall not be entitled to any damages or compensation for loss of office or otherwise and no fee or remuneration or commission, as the case may be, will be payable to you in respect of any unexpired portion of the term of your appointment

10. Others:

You shall give annual declaration as required under the provision of section 149(7) of the companies Act, 2013 and the rules made there under, Beside above , you shall provide following disclosure as required under the companies Act, 2013 and rules framed there under

- Consent in writing to act as Director Form DIR-2
- Intimation in Form DIR-8 to the effect that you are not disqualified under section 164(2) of the Companies Act, 2013
- Disclose of Interest or concern, directly or indirectly, in any company, Body Corporate, firms, or other association of Individuals in FORM MBP-1 pursuant to Section 184(1) of the companies Act, 2013 and the Rules there under at the first Board meeting in which you participate as a Director and thereafter at the first Board Meeting in every financial year.
- As an Independent Directors you will not be liable to retire by rotation

The appointment letter is issued based on the Companies Act, 2013, Rules framed there under, and other regulations prevalent at the time of appointment. Any change in the above shall automatically entail changes in the terms and conditions.

We look forward for your valuable contribution and guidance to the growth of the Company.

Thanking you.

Yours faithfully

For and on behalf of Board of Directors

Designation
DIN:-----

I have read and agree to the above terms regarding my appointment as an Independent Director of Imperial Auto Industries Limited

ANNEXURE-A
CODE OF CONDUCT & ETHICS

PREAMBLE

Commitment to ethical professional conduct is a MUST for every Director and employee at Imperial Auto Industries Limited- in all of its businesses/ units/ subsidiaries. This code, consisting of imperatives formulated as statements of personal responsibility, identifies the elements of such a Commitment. It contains many, but not all, issues employees are likely to face.

The code is intended to serve as a basis for ethical decision-making in the conduct of professional work. It may also serve as a basis for judging the merit of a formal complaint pertaining to violation of professional ethical standards.

It is understood that some words and phrases in a code of ethics and conduct document are subject to varying interpretations and that any ethical principle may conflict with other ethical principles in specific situations. Questions related to ethical conflicts can best be answered by thoughtful consideration of fundamental principles rather than reliance on detailed regulations. In case of conflict, the decision of the Board shall be final.

APPLICABILITY

This code is applicable to the Board Members, Key Managerial Personnel (KMP), members of the Management Committee and all employees in and above Officers level (hereinafter collectively referred to as "Employee(s)").

All employees must read and understand this code and ensure to abide by it in their day to day activities. The employees may please contact Mr. C.K. Mendiratta (Head-HR), or Mr. Vishal Kampani, Head (HR & Admin) should they have any questions relating to compliance of this code.

1. GENERAL MORAL IMPERATIVES

➤ **Contribute to society and human well-being**

This principle concerning the quality of life of all people affirms an obligation to protect fundamental human rights and to respect the diversity of all cultures. We must attempt to ensure that the products of our efforts will be used in socially responsible ways, will meet social needs and will avoid harmful effects to health and welfare of others.

In addition to a safe social environment, human well-being includes a safe natural environment. Therefore, all of us, who are accountable for the design, development, manufacture and promotion of IMPERIAL AUTO INDUSTRIES LIMITED's products, must be alert to, and make others aware of, any potential damage to the local or global environment.

➤ **Avoid harm to others**

"Harm" means injury or negative consequences, such as loss of property, property damage or unwanted health and environmental impacts. This principle prohibits use of men, material and technology in ways that result in harm to our consumers, employees and the general public.

Well-intended actions, including those that accomplish assigned duties, may lead to harm unexpectedly. In such an event, the responsible person or persons are obligated to undo or mitigate the negative consequences as much as possible.

➤ **Be honest and trustworthy**

Honesty is an essential component of trust. Without trust an organization cannot function effectively. All of us are expected not to make deliberately false or deceptive claims about our products/ systems, but instead provide full disclosure of all pertinent limitations and problems.

➤ **Be fair and take action not to discriminate**

The values of equality, tolerance, respect for others, and the principles of equal justice govern this imperative. Discrimination on the basis of race, sex, religion, age, disability, national origin, or other such factors is an explicit violation of this code.

➤ **Practice integrity in our inter-personal relationships**

In our relationships with colleagues, we should treat them with respect and in good faith; in the same way we ourselves would expect them to treat us. The principle to be adopted to guard against loose talk or in its worst form- character assassination- is not to say anything behind one's back and never utter something, which cannot be put in writing.

➤ **Maintaining Confidentiality of Information**

Revealing confidential company information could undermine IMPERIAL's competitive advantage, be aware of IMPERIAL's security classification system. Remember to be very careful when discussing confidential IMPERIAL business in public places, and be sure of who employees are speaking to before disclosing information that might be commercially sensitive.

Disclosure of information should only be made to the extent necessary to achieve our commercial goals. Remember to treat e-mail with the same professionalism and confidentiality as other more 'traditional' forms of communication. E-mails can have legal consequences too. The nature of our business means that we hold a lot of information about people. This is vital for the relationship between the company and our customers and employees - for providing a service to our customers and paying our people. To ensure we continue to have this privilege we must respect the trust placed in us, and only use the data for the purpose for which it was entrusted. Additionally, there is an increasing amount of data protection legislation throughout the world, driven by people's concern that information might be used for the wrong purposes. If we breach this legislation for any reason not only would we break the law, but we would also damage IMPERIAL's reputation and the trust that people place in IMPERIAL.

➤ **Corporate Opportunities**

Employees may not exploit for their own personal gain opportunities that are discovered through the use of corporate property, information or position unless the opportunity is disclosed fully in writing to the Company's Board of Directors and the Board declines to pursue such opportunity.

➤ **Strive to achieve the highest quality, effectiveness and dignity in both the processes and products of professional work.**

Excellence is perhaps the most important obligation of a professional. We must strive to achieve the highest quality, effectiveness and dignity in all that we are responsible for- each day.

➤ **Acquire and maintain professional competence.**

Excellence depends on individuals who take responsibility for acquiring and maintaining professional competence. We must participate in setting standards for appropriate levels of competence, and strive to achieve those standards.

➤ **Know and respect existing laws.**

We must obey existing local, state, national, and international laws unless there is a compelling ethical basis not to do so. We should also obey the policies, procedures, rules and regulations of the company. Violation of a law or regulation may be ethical when that law or rule has inadequate moral basis or when it conflicts with another law judged to be more important. If one decides to violate a law or rule because it is viewed as unethical, or for any other reason, one must fully accept responsibility for one's actions and for the consequences.

➤ **Accept and provide appropriate professional review.**

Quality professional work depends on professional reviewing and critiquing. Whenever appropriate, individual members should seek and utilize peer review as well as provide critical review of the work of others.

➤ **Conduct ourselves in a manner that reflects credit to the Company.**

All of us are expected to conduct ourselves, both on and off-duty, in a manner that reflects credit to the company. The sum total of our personal attitude and attitude and behavior has a bearing on the standing of IMPERIAL AUTO INDUSTRIES LIMITED and the way in which it is perceived within the organization and by the public at large. Each of us is a part of the human entity we call IMPERIAL AUTO INDUSTRIES LIMITED and it behooves on us to do it proud.

➤ **Protect Company's properties**

We all are perceived as Trustees of Company's properties, funds and other assets. We owe fiduciary duty to each stakeholder, as their agent, for protecting the Company's assets. We therefore, must safeguard and protect the Company's assets against any misappropriation, loss, damage, theft, etc. by putting in place proper internal control systems and procedures and effectively insuring the same against any probable fire, burglary, fidelity and any other risk.

2. RELATING WITH STAKEHOLDERS

➤ **Customers:**

Our products and services shall be technologically competitive and whilst fulfilling the needs of our customers, shall offer the best possible value to our customers such that we become the customers' first choice for quality and service. No false or misleading claims shall be made whilst marketing our products or services. Our service standards shall be of the highest possible order. Mutually beneficial relationships of an enduring nature shall be built with customers. Our response to the needs and expectations of customers shall be speedy, courteous and effective. Customer complaints and warranties shall be attended to the fullest satisfaction of the customer.

➤ **Employees:**

IMPERIAL aims to attract develop and motivate the best people. We will create a work environment that is open, honest and unprejudiced and which encourages people to achieve their full potential. We will value people's individual and team contributions, and offer opportunities to share in the company's commercial success. We will recruit, employ and reward on ability and contribution. We will provide opportunities for personal growth and professional development and engage in appropriate communication and consultation with employees. We will promote a healthy lifestyle.

➤ **Partners:**

IMPERIAL will cultivate a global network of collaborative and mutually beneficial alliances. We will respect partners' customs and traditions, and be honest and ethical in our dealings. We will work with partners in the creation of successful ventures which have high standards of integrity and business practice. We will use our values and principles in dialogue with other organizations and in considering new and existing relationships.

➤ **Suppliers:**

IMPERIAL values the diversity of our suppliers. We will work with them in innovative ways that create added value for our customers and trading partners. We will have a fair procurement process, administering tendering and contracting procedures in good faith.

➤ **Community:**

IMPERIAL will contribute to the wellbeing of the societies in which we operate through our business activities and the skills of our people. We will maintain the highest level of integrity while respecting local laws, customs and traditions. We will work with community and other organizations to support nonprofit making activities that benefit wider society. We will use our influence to reinforce the liberating and empowering potential of technology.

3. MAINTAINING AN EQUITABLE AND SAFE WORKPLACE

➤ **Diversity**

IMPERIAL will treat all individuals fairly and impartially, without prejudice, and never tolerate harassment in any form.

We are committed to developing a working culture that is fair and 'inclusive' - enabling all employees to make their distinctive contributions to the benefit of the business. We are also determined to ensure that we extend this same openness to our suppliers, business partners and all our customers. We expect our managers to exercise leadership in this field by discouraging prejudice and by role modeling appropriate behavior.

➤ **Equal Employment Opportunity**

IMPERIAL is an “equal opportunity” organization that prohibits discrimination or harassment based on race, color, religion, national origin, sex, age, sexual orientation, marital status, citizenship status, or disability.

➤ **Sexual Harassment**

All employees are expected to create a harassment free, congenial and trustworthy environment at their respective workplace. It will be their primary accountability to report and take appropriate action on any incident of Workplace harassment. No form of harassment will be tolerated, including harassment for the following reasons: race, caste, religion, disability, age, or sex. Special attention should be paid to the prevention of sexual harassment.

Sexual Harassment includes but is not limited to, unwanted physical contact, flirtations, propositions, lewd comments, obscene jokes, display of demeaning, insulting, or intimidating behavior through sexually suggestive pictures, objects, and images in physical or electronic form.

Any employee who has been a victim of sexual harassment or has witnessed any other colleague being subjected to such harassment is expected to bring it to the notice of Corporate HR directly or through his seniors.

For more details you can read the company’s Sexual Harassment policy available at office of the Company.

➤ **Health and Safety**

IMPERIAL will care for the health and safety of each other, our products and our operations. We are responsible for making sure that the way we carry out business does not harm the health and safety of our own people or anyone else affected by our activities, products or services.

➤ **Environmental Compliance**

IMPERIAL will minimize the potentially harmful effects of our activities on the environment.

We are committed to protect and preserve the environment. We will Endeavour to reuse rather than dispose whenever possible. We will also promote recycling and the use of recycled materials.

➤ **Human Dignity**

IMPERIAL is committed to protecting and enhancing the human dignity of all those engaged with our company.

4. SPECIFIC ADDITIONAL PROVISIONS FOR BOARD MEMBERS AND MANAGEMENT COMMITTEE MEMBERS

As Board/ Management Committee members

We undertake to actively participate in meetings of the Board, of the Committees thereof and the meetings of Management Committee on which we serve.

- We undertake to inform the Chairman of the Board of any changes in our other board positions, relationship with other businesses (including charitable) and other events / circumstances/ conditions that may interfere with our ability to perform our Board/ Board Committee duties or may impact the judgment of the Board as to whether we meet the independence requirements of Companies Act, 2013 or any other applicable laws.
- We undertake that without prior approval of the disinterested members of the Board, we will avoid apparent conflict of interest. Conflict of interest may exist when we have personal interest that may have a potential conflict with the interest of the company at large. Illustrative cases can be:

- **Related Party Transactions**

As a general rule, employees should avoid conducting Company business with a relative, or with a business in which a relative is associated in any significant role. Relatives include mother, father, daughter, son, son's wife, Daughter's husband, spouse, member of HUF, brother and sister including step relationships in all cases. Related party transactions of Directors and senior management must be reviewed by the Company's Board of Directors. The Company must report all such material related party transactions under applicable Companies Act 2013, or any other act as may be applicable from time to time. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to this business.

The Company discourages the employment of relatives in positions or assignments within the same department and prohibits the employment of such individuals in positions that have a financial or other dependence or influence (e.g., an auditing or control relationship, or a supervisor/subordinate relationship).

For more details you can read the company's Related Party policy available at office of the Company.

- **Consultancy / Business / Employment**

Engaging in any activity (be it in the nature of providing consultancy service, carrying on business, accepting employment) which is likely to interfere or conflict with our duties / responsibilities towards Imperial Auto Industries Limited. We should not invest or associate ourselves in any other manner with any supplier, service provider or customer of the Company.

- **Use of official position for our personal gains.**

We should not use our official position for our personal gains.

- We undertake to perform the following duties:
We shall undertake appropriate induction and regularly update and refresh our skills, knowledge and familiarity with the company;

- We shall strive to attend all meetings of the Board of Directors and of the Board committees of which we are members.
- We shall participate constructively and actively in the committees of the Board in which we are chairpersons or members;
- We shall strive to attend the general meetings of the company.
- We shall keep ourselves well informed about the company and the external environment in which it operates;
- We shall pay sufficient attention and ensure that adequate deliberation are held before approving related party transactions and assure that the same are in the interest of the company; We shall ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interest of a person who uses such mechanism are not prejudicially affected on account of such use; Code of
- We shall report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- We shall while acting within our authority, assist in protecting the legitimate interest of the company, shareholders and its employees;
- We shall not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plan, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

Fiduciary Duties

- We shall act in accordance with the Articles of the company, subject to the provisions of the Companies Act 2013.
- We 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 interest of the company, its employees, the shareholders, the community and for the protection of environment.
- We shall exercise our duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- We shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possible may conflict, with the interest of the company.
- We shall not achieve or attempt to achieve any undue gain or advantage either to ourself or to our relatives, partners, or associates and if we are found guilty of making any undue gain, we shall be liable to pay an amount equal to that gain to the company.
- We shall not assign our office and any assignment so made shall be void.

Additionally, as Independent Directors

We also undertake to abide by the Code for Independent Directors as contained in Schedule IV of the Companies Act, 2013 and we shall:-

- Seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expenses of the company.
- where we 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 our concerns are recorded in the minutes of the Board meeting;
- Not unfairly obstruct the functioning of an otherwise proper Board or committee of the Board.

5. MISCELLANEOUS

➤ **Compliance with the Code**

Uphold and promote the principles of this code.

The future of the organization depends on both technical and ethical excellence. Not only is it important for employees to adhere to the principles expressed in this Code, each employee should encourage and support adherence by other employees

Treat violations of this code as inconsistent association with the organization

Adherence of professionals to a code of ethics is largely a voluntary matter. However, if any of us do not follow this code by engaging in gross misconduct, the matter would be reviewed by the Board and its decision shall be final. The Company reserves the right to take appropriate action against the guilty employee.

➤ **Continual updation of code**

This code is subject to continuous review and updation in line with any changes in law, changes in company's philosophy, vision, business plans or otherwise as may be deemed necessary by the Board.

ANNEXURE-B

Audit Committee

The terms of reference of the Audit Committee are as under:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information are disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with the external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report, including the quarterly/half-yearly financial information.
- Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices;
 - Major accounting entries based on exercise of judgment by management;
 - Qualifications in draft audit report;
 - Significant adjustments arising out of audit;
 - The going concern assumption;
 - Compliance with accounting standards;
- Compliance with stock exchange and legal requirements concerning financial statements;
- Any related party transactions as per Accounting Standard 18.
 - Reviewing the Company's financial and risk management policies.
 - Disclosure of contingent liabilities.
 - Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

- Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Reviewing compliances as regards the Company's Whistle Blower Policy.

Nominations and Remuneration Committee

The Committee shall be responsible for making recommendations regarding the composition of the Board and in this regard shall –

- Identify independent Directors to be inducted to the Board from time to time;
- Take steps to refresh the composition of the Board from time to time.

The terms of reference of the Remuneration Committee are as under:

- To approve the annual remuneration plan of the Company;
- To approve the remuneration and commission/incentive payable to the Managing Director for each financial year;
- To approve the remuneration and annual performance bonus payable to the Chief Financial Officer and the Executive Vice Presidents of the Company for each financial year;
- Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.

Corporate Social Responsibility Committee

The Committee would perform the following functions:

- Formulate and recommend to the Board, a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.
- Recommending the amount of expenditure to be incurred on the activities referred to in clause
- Monitoring the CSR Policy of the Company from time to time. instituting a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company and
- Doing such other acts, deeds, things and matters as are necessary or expedient in complying with the provisions of Section 135 Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

ANNEXURE-C

Relevant extracts of the provisions under Companies Act, 2013:

Section 2 (60) – Definition

“**Officer who is in default**”, for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:—

- Whole-time director;
- key managerial personnel;
- Where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;

- Any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorizes, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;
- Any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;
- Every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;
- In respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer;

Section 134 (5) - Financial statement, Board’s report etc.

The Directors’ Responsibility Statement referred to in clause (c) of sub-section (3) shall state that —

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period
- The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The directors had prepared the annual accounts on a going concern basis; and
- The directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation—For the purposes of this clause, the term “internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Section 149 (6) - Company to have Board of Directors

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

- Who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (i) Who is or was not a promoter of the company or its holding, subsidiary or associate Company;
- (ii) Who is not related to promoters or directors in the company, its holding, subsidiary or Associate company;

- Who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- None of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- Who, neither himself nor any of his relatives—
 - a) Holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - b) Is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
 - A firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - Any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;
- Holds together with his relatives two per cent. or more of the total voting power of the company; or
- Is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or who possesses such other qualifications as may be prescribed.

Section 149 (8) - Company to have Board of Directors

The company and independent directors shall abide by the provisions specified in Schedule IV.

Section 149 (12) - Company to have Board of Directors

Notwithstanding anything contained in this Act,—

- (i) An independent director;
- (ii) A non-executive director not being promoter or key managerial personnel, shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

Section 166 - Duties of directors

- (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, and 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.

Section 188 (5) - Related party transactions

Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall,—

In case of public company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five Lakh rupees.

Section 197 (13) - Overall maximum managerial remuneration and managerial Remuneration in case of absence or inadequacy of profits

Where any insurance is taken by a company on behalf of its managing director, whole-time director, manager, Chief Executive Officer, Chief Financial Officer or Company Secretary for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel:

Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

Other responsibilities

- (a) The Board should provide the strategic guidance to the company, ensure effective monitoring of the management and should be accountable to the company and the shareholders.
- (b) The Board should set a corporate culture and the values by which executives throughout a group will behave.
- (c) Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.
- (d) The Board should encourage continuing directors training to ensure that the Board members are kept up to date.
- (e) Where Board decisions may affect different shareholder groups differently, the Board should treat all shareholders fairly.
- (f) The Board should apply high ethical standards. It should take into account the interests of stakeholders.
- (g) The Board should be able to exercise objective independent judgment on corporate affairs.
- (h) Boards should consider assigning a sufficient number of non-executive Board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest.
- (i) The Board should ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the company to excessive risk.
- (j) The Board should have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the company's focus.
- (k) When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.
- (l) Board members should be able to commit themselves effectively to their responsibilities.
- (m) In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information.
- (n) The Board and senior management should facilitate the Independent Directors to perform their role effectively as a Board member and also a member of a committee.

ANNEXURE -D
SCHEDULE IV
[See section 149(8)]

CODE FOR INDEPENDENT DIRECTORS

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:

Uphold ethical standards of integrity and probity;

- (1) Act objectively and constructively while exercising his duties;
- (2) Exercise his responsibilities in a bona fide manner in the interest of the company;
- (3) Devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (4) 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;
- (5) 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;
- (6) Refrain from any action that would lead to loss of his independence;
- (7) Where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (8) 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 behavior, 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 there under and that the proposed director is independent of the management.
- (4) The appointment of independent directors shall be formalized through a letter of appointment, which shall set out :
 - (i) The term of appointment;
 - (ii) 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;
 - (iii) The fiduciary duties that come with such an appointment along with accompanying liabilities;
 - (iv) Provision for Directors and Officers (D and O) insurance, if any;
 - (v) the Code of Business Ethics that the company expects its directors and employees to follow;
 - (vi) The list of actions that a director should not do while functioning as such in the company; and

- (vii) 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