

TERMS AND CONDITIONS OF APPOINTMENT OF INDEPENDENT DIRECTORS

1. Appointment:

- 1.1 The term “independent director”, as referred in the Letter of appointment, should be construed as per the definition provided under the Act.
- 1.2 The appointment will be effective from [•]
- 1.3 The appointment is subject to the maximum permissible directorships that a person can hold as per the provisions of the Act.
- 1.4 The Company has adopted the provisions with respect to the appointment and tenure of Independent Directors, as are consistent with the Act and the rules and regulations made thereunder.
- 1.5 Subject to applicable law (including the provisions of the Act) and mutual agreement in writing between you and the Company, you are eligible to be re-appointed as an Independent Director, after a cooling-off period of three years from the date of cessation of your 2nd Term as an Independent Director, provided that during such period you were not associated with the Company in any other capacity, either directly or indirectly.
- 1.6 The Company is at liberty to disengage you as a non-executive Independent Director prior to the expiration of your term of appointment, in accordance with the applicable provisions of the Act. In case your termination is effected pursuant to clause 1.6 of this Letter of appointment, you shall not be eligible for appointment as a director in the Company.

2. Committees:

The Board may, if it deems fit, invite you to be appointed on one or more of the existing Board committees of the Board (“**Committees**”) or any such Committee that may be constituted by the Company in future. Your appointment on such Committee(s) shall be subject to the Committee’s rules and applicable laws and regulations. Further, you may also be appointed as chairman on any of the present or future Committees of the Board.

3. Time Commitment:

- 3.1 As a non-executive Independent Director, you are expected to bring objectivity and independence of view to the Board’s discussions and to help provide the Board with effective leadership in relation to the Company’s strategy, performance, and risk management as well as ensuring high standards of financial probity and corporate governance.
- 3.2 The Board shall meet at least four times in a year, which may include meetings in person or via video conferencing or other audio-visual means. There are other Committee meetings like Nomination and Remuneration Committee, Corporate Social Responsibility Committee meetings, Audit Committee, Risk Management Committee, Stakeholders’ Relationship Committee, etc. which are convened as per the meeting planner, at least once in a year. You will be expected to attend the meetings of the Board, of the Shareholders and of such other Committees to which you may be appointed, and to devote atleast 10-12 days per year for attending these meetings, not including travel time or preparation time. Ordinarily, the meetings are held either virtually or in Mumbai, New York or London and the duration of the stay for

the meetings ranges from 4 hours to 3 days per meeting (not including travel time for physical meetings).

- 3.3 You agree that you will allocate sufficient time to meet the expectations of your role. In particular, you agree to make reasonable efforts to attend all meetings of the Board, Shareholders and of such other Committees to which you may be appointed, and to make yourself available to the Company at mutually convenient times and places, and to perform such duties, services and responsibilities as may be specified and have authority commensurate to such positions.

4. Role and Duties:

- 4.1 Your role and duties will be those normally required of a non-executive Independent Director under the Act. There are certain duties prescribed for all directors of the Company, both executive and non-executive, which are fiduciary in nature and are provided as under:
- (a) You 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.
 - (b) You shall discharge your duties with due and reasonable care, skill and diligence and exercise independent judgement.
 - (c) You shall not involve yourself in a situation in which you may have a direct or indirect interest that conflicts, or is likely to conflict, with the interests of the Company. Please refer to clause 8 for full explanation on conflict of interest.
 - (d) You shall not achieve or attempt to achieve any undue gain or advantage either to yourself or to your relatives, partners or associates and if you are found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Company.
 - (e) You shall not assign your office as Independent Director and any assignment so made shall be void.
 - (f) Non-executive Independent Directors should keep governance and compliance with the laws and regulations applicable to the Company, including the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and as may be amended from time to time.
 - (g) You shall help in bringing independent judgment to the Board’s deliberations, especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
 - (h) You shall objectively evaluate the performance of the Board and the management.
 - (i) You shall scrutinize the performance of the management in meeting agreed goals and objectives and monitor the reporting of performance.
 - (j) You shall evaluate the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.
 - (k) You shall safeguard the interests of all Shareholders.

- (l) You shall moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and Shareholders' interest.

5. Status of appointment:

- 5.1 You will not be an employee of the Company and nothing in this Letter of appointment shall constitute a contract for employment.
- 5.2 In relation to your appointment, you shall be entitled to sitting fees (if any) in accordance with the policies of the Company and remuneration by way of profit based commission or any other payment (including in case of no profits or inadequacy of profits) as may be recommended by the Board, up to a maximum of INR equivalent of USD [•] per annum, subject to the provisions of the Act and within the overall ceiling limits under the Act and approved by the Shareholders from time to time. Such remuneration will be paid to you on a quarterly basis subject to provisions of the Act and approval from the shareholders from time to time.
- 5.3 Further, the Company may pay or reimburse to you such fair and reasonable expenditure in accordance with the Company's policy, as may have been incurred by you, on reasonable out-of-pocket actuals while discharging your duties as an Independent Director of the Company. This may include reimbursement of reasonable out-of-pocket expenditure incurred by you for attending Board / Committee meetings, annual general meetings, extraordinary general meetings, court convened meetings and such other functions as may be prescribed by the Board, in furtherance of your duties as an Independent Director. The Company will reimburse business class travel expenses for Board meetings attended in person and make stay and local hospitality arrangements.
- 5.4 You shall not be entitled to participate in any employee stock option scheme operated by the Company or any group company.

6. Directors & Officers Liability (D&O) Insurance

The Company offers D&O insurance coverage of up to USD [•] at the group level.

7. Equity investment

- 7.1 Subject to the provisions of applicable laws (including the provisions of the SEBI Listing Regulations) and Section 9.1 of this Letter of appointment, during the term of your appointment, you may acquire equity shares of the Company at the prevailing fair market value for an aggregate investment not exceeding the INR equivalent of USD 1,000,000; provided that you continue to fulfil your criteria of 'independence' in accordance with the provisions of the Act. Notwithstanding the above, the value per share and number of shares shall be solely determinable by the Company and for the sake of clarity, this clause will not be construed to create any continuing liability on the Company.
- 7.2 It is hereby agreed that you shall be responsible for declaration and payment of any tax applicable to any payment paid to you under clause 5 of this Letter of appointment and equity investment made by you. You shall be liable to the Company for any liability arising out of failure or improper tax declaration and payment in this regard.

8. Conflict of Interest:

- 8.1 It is accepted and acknowledged that you may have business interests other than those related to the Company. As a condition to the appointment forthwith, you are required to declare any such directorship(s), appointment(s) or interest(s) to the Board in writing in the prescribed form

at the time of your appointment.

- 8.2 During your term as Independent Director of the Company, you agree to promptly notify the Company of any change in your directorship(s) and provide such other disclosures and information as may be required under the laws applicable to the Company and to you as a non-executive Independent Director. You also agree that upon becoming aware of any potential conflict of interest with your position as a non-executive Independent Director of the Company, you shall promptly disclose the same to the Company.
- 8.3 You agree that during the term of your appointment, you agree to promptly provide a declaration under Section 149(7) of the Act (a) at the first Board meeting you participate, (b) thereafter at the first Board meeting of every year, and (c) upon any change in circumstances within a period of 15 days which may affect your status as an Independent Director.
- 8.4 For so long as you are an independent director on the Board and until the six (6) month anniversary of the termination date (such period, the "Restricted Period"), you agree that you shall not, except in the furtherance of performance of your services, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity, (i) own, manage, control, participate in, consult with, render services for, operate or in any manner engage (including by herself or in association with any person) in any business of or with a Competitor (as defined below), (ii) solicit, aid or induce any customer of the Company and its subsidiaries (collectively, the "Company Group") to purchase goods or services then sold by the Company Group from a Competitor or assist or aid a Competitor in identifying or soliciting any such customer, (iii) solicit, aid or induce any employee, representative or agent of the Company Group to leave such employment or retention or to accept employment with or render services to or with any Competitor or hire or retain any such employee, representative or agent, or take any action to materially assist or aid any Competitor in identifying, hiring or soliciting any such employee, representative or agent, (iv) interfere, or aid or induce any Competitor in interfering, with the relationship between the Company Group and any of their respective vendors, joint venturers or licensors or (v) make any public statement that is intended to or could reasonably be expected to disparage the Company Group. You acknowledge the enforceability of this clause and agree that this clause is necessary to protect the goodwill attributed to the business of the Company Group. For purposes of this Clause 8.4, the term "participate" includes any direct or indirect interest in any enterprise, whether as an officer, director, employee, partner, equity holder, member, sole proprietor, agent, representative, independent contractor, seller, franchisor, franchisee, creditor or owner; provided, that nothing herein shall prohibit you from having passive ownership of less than 2% of the stock of a publicly-held corporation whose stock is traded on a national securities exchange or in the over-the-counter market. For the purposes of this Agreement, a "Competitor" shall mean the companies set forth in Annexure 1 (as may be updated by the Company from time to time) and any affiliate thereof.
- 8.5 For so long as you are an independent director on the Board, you will promptly notify the Company, in writing, in advance of accepting any position or entering into any relationship, which notice shall specify the name of the relevant organisation and the position or relationship that you propose to enter, and provide any information to the Company reasonably requested of you.
- 8.6 For so long as you are an independent director on the Board, upon request you are required to report the securities and money market instruments owned by you and your family members in accordance with applicable laws and the Company's policies.
- 8.7 If it is determined by a court of competent jurisdiction in any jurisdiction that any restriction in Section 8.4 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that jurisdiction, it is the intention of the parties that such restriction may be modified or

amended by such court to render it enforceable to the maximum extent permitted by the laws of that jurisdiction. In the event of any violation of the provisions of Section 8.4, you acknowledge and agree that the post-termination restrictions contained in Section 8.4 may be extended by the Company for a period of time equal to the period of such violation, it being the intention of the parties hereto that the running of the applicable post-termination restriction period shall be tolled during any period of such violation.

- 8.8 You acknowledge and agree that the Company's remedies at law for a breach or threatened breach of any of the provisions of this Section 8 would (even if available) be inadequate and, in recognition of this fact, you agree that, in the event of such a breach or threatened breach, in addition to any remedies at law or in equity, the Company, without posting any bond or having to prove damages, shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available.

9. Confidentiality:

- 9.1 Your attention is drawn to the requirements under the applicable laws and regulations, including the Code of Conducts under the SEBI (Prohibition of Insider Trading) Regulations, 2015 of the Company, as may be amended and as applicable from time to time, which prohibits the disclosure of price sensitive information except in accordance with the provisions provided therein. Consequently, you should avoid making any statements or performing any transactions that might risk a breach of these requirements without prior clearance from the Chief Executive Officer or the Compliance Officer of the Company.
- 9.2 For purposes of this Letter of appointment, the term "Confidential Information" means confidential or other proprietary information of the Company.
- 9.3 Notwithstanding the foregoing, the term Confidential Information shall not include: (i) any information which becomes generally known to the public, other than as a result of a breach by you of this Letter of appointment or a breach by you of any other agreement or duty requiring confidentiality between the Company and you, (ii) information received from a third party in rightful possession of such information who is not restricted from disclosing such information and (iii) information already known by you from sources other than the Company or any of their direct or indirect subsidiaries.
- 9.4 You agree to hold in trust and confidence all Confidential Information and not to disclose to others, directly or indirectly, any Confidential Information or anything relating to such Confidential Information without the prior written consent of the Company, except to the extent required by law and as may be necessary in the course of your business relationship with the Company. You further agree not to use any Confidential Information without the prior written consent of the Company, except as may be necessary in the course of your business relationship with the Company, and that the provisions of this paragraph shall survive termination of your Role with the Company. Without limiting the generality of the foregoing, it is the Company's intention that the attorney-client and attorney work-product privileges will apply to you to the same extent as such privileges apply to any director or officer of the Company. Accordingly, you agree to treat all communications between and among you, the Board, and the Company's counsel as confidential and privileged and to keep secret and confidential any communications with any such counsel and any information which you learn about the mental processes, conclusions, opinions or legal theories of any such counsel or their representatives.
- 9.5 You acknowledge that the Company has received, and in the future will receive, from third parties their confidential information subject to a duty on the Company's part to maintain the confidentiality of such information and, in some cases, to use it only for certain limited

purposes. You agree that you owe the Company and such third parties a duty to hold all such third-party confidential information in the strictest confidence and not to disclose it to any person or entity (except in a manner consistent with the Company's agreement with the third party), unless expressly authorised in writing to act otherwise by an officer of the Company.

10. Changes of personal details:

During the term of your appointment, you shall promptly intimate the Company Secretary/Compliance Officer of the Company, and the Registrar of Companies in the prescribed manner, of any change in your address or other contact and personal details provided by you to the Company at the time of appointment.

11. Disclosure of Interest:

The Company must include in its annual accounts, a note of any material interest that a Director may have in any transaction or arrangement that the Company has entered into. Such interest should be disclosed no later than when the transaction or arrangement is brought to the notice of the Board at a Board meeting, so as to ensure that the minutes of such Board meeting record your interest appropriately and the Company's records are updated. A general notice in this regard that you are interested in any transaction or arrangement with a particular person, firm or company is acceptable.

12. Familiarisation programmes for Independent Directors:

In order to meet the requirements of the applicable laws, the Company shall be required to familiarise the independent directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc., through various programmes. The Company shall undertake training programs for such members of the Board and as a member of the Board / committees, you shall endeavor to participate in such familiarisation programmes.

13. Termination:

- 13.1 You may resign from your position at any time and should you wish to do so, you are requested to serve a notice period of at least three (3) months on the Board.
- 13.2 Continuation of your appointment is subject to you being elected / re-elected by the Shareholders in accordance with provisions of the Act and SEBI Listing Regulations, from time to time in force. You will not be entitled to any form of compensation if the Shareholders do not re-elect you as a Director in the Company.
- 13.3 During the term of your appointment, the Company may, subject to the provisions of the Act, terminate your appointment by giving you thirty (30) Business Days' notice. In addition, your appointment may also be terminated in accordance with the provisions of the Act, as may be amended from time to time. In the event your appointment is terminated in accordance with the provisions of Section 169 of the Act, you shall not be eligible for appointment as a director in the Company. For the purposes of this Agreement, a " Business Day " shall mean a day, other than a Saturday, Sunday or a public holiday, on which banks in Mumbai (India), Mauritius, Singapore, and London (United Kingdom) are open for retail banking business.
- 13.4 Termination of your appointment shall not affect your obligations under Clause 8 and Clause 9 above, and shall survive any such termination.

14. Governing Law and General

- 14.1 This Letter of appointment is governed by and shall be interpreted in accordance with the provisions of Indian laws and regulations as may be applicable, and your engagement with the Company and any dispute arising out of the same shall be subject to the jurisdiction of the Indian courts.
- 14.2 If any one or more of the provisions in this Letter of appointment should be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Letter of appointment shall not in any way be affected or impaired thereby and shall remain in full force or may be reformed in such a manner as shall enable the enforceability to remain in effect.
- 14.3 During the term of your appointment, you undertake to comply with all applicable laws, including the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the SEBI (Prohibition of Insider Trading) Regulations, 2015, as may be amended from time to time. You also undertake to remain updated and informed of any changes or developments in the applicable laws and regulatory framework.
- 14.4 Please note that while extracts of the key applicable provisions have been annexed as Annexure 3 to this Letter of appointment, these are provided only for reference. You are expected to remain apprised of the full scope of the applicable laws and not rely solely on the extracts provided.

The Code of Conduct of Fractal Analytics Limited (Annexure 2) is available on our website at www.fractal.ai.

Annexure 3: Extract of Relevant Provisions of the Law

SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Regulation 16 (1)(b)- Definition of Independent Director

- (b) *"independent director" means a non-executive director, other than a nominee director of the listed entity:*
- (i) *who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;*
 - (ii) *who is or was not a promoter of the listed entity or its holding, subsidiary or associate company or member of the promoter group of the listed entity;*
 - (iii) *who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;*
 - (iv) *who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;*
 - (v) *none of whose relatives—*

- (A) *is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;*
- (B) *is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;*
- (C) *has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or*
- (D) *has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income:*

Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.

(vi) *who, neither himself /herself, nor whose relative(s) —*

- (A) *holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company or any company belonging to the promoter group of the listed entity, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed:*

Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.

- (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 —*
 - (1) *a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or*
 - (2) *any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;*
- (C) *holds together with his relatives two per cent or more of the total voting power of the listed entity; or*
- (D) *is a chief executive or director, by whatever name called, of any non-profit*

organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, 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 listed entity;

- (E) *is a material supplier, service provider or customer or a lessor or lessee of the listed entity;*
- (vii) *who is not less than 21 years of age.*
- (viii) *who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director:*

Explanation- In case of a 'high value debt listed entity':

- (a) *which is a body corporate, mandated to constitute its board of directors in a specific manner in accordance with the law under which it is established, the non- executive directors on its board shall be treated as independent directors;*
- (b) *which is a Trust, mandated to constitute its 'board of trustees' in accordance with the law under which it is established, the non-employee trustees on its board shall be treated as independent directors.*

Regulation 25- Obligations with respect to independent directors

- (1) *No person shall be appointed or continue as an alternate director for an independent director of a listed entity with effect from October 1, 2018.*
- (2) *The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.*
- (2A). *The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution.*

Provided that where a special resolution for the appointment of an independent director fails to get the requisite majority of votes but the votes cast in favour of the resolution exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution, then the appointment of such an independent director shall be deemed to have been made under sub-regulation (2A):

Provided further that an independent director appointed under the first proviso shall be removed only if the votes cast in favour of the resolution proposing the removal exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution.

- (3) *The independent directors of the listed entity shall hold at least one meeting in a financial year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting.*
- (4) *The independent directors in the meeting referred in sub-regulation (3) shall, inter alia-*
 - (a) *review the performance of non-independent directors and the board of directors as a whole;*

- (b) *review the performance of the chairperson of the listed entity, 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 management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.*
- (5) *An independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his /her knowledge, attributable through processes of board of directors, and with his /her consent or connivance or where he /she had not acted diligently with respect to the provisions contained in these regulations.*
- (6) *(Omitted)*
- (7) *The listed entity shall familiarise the independent directors through various programmes about the listed entity, including the following:*
 - (a) *nature of the industry in which the listed entity operates;*
 - (b) *business model of the listed entity;*
 - (c) *roles, rights, responsibilities of independent directors; and*
 - (d) *any other relevant information.*
- (8) *Every independent director shall, at the first meeting of the board in which he /she participates as a director and thereafter at the first meeting of the board in every financial year or whenever there is any change in the circumstances which may affect his /her status as an independent director, submit a declaration that he meets the criteria of independence as provided in clause (b) of sub-regulation (1) of regulation 16 and that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his /her ability to discharge his /her duties with an objective independent judgment and without any external influence.*
- (9) *The board of directors of the listed entity shall take on record the declaration and confirmation submitted by the independent director under sub-regulation (8) after undertaking due assessment of the veracity of the same.*
- (10) *The top 1000 listed entities by market capitalization shall undertake Directors and Officers insurance ('D and O insurance') for all their independent directors of such quantum and for such risks as may be determined by its board of directors.*
- (11). *No independent director, who resigns from a listed entity, shall be appointed as an executive / whole time director on the board of the listed entity, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director.*
- (12) *A 'high value debt listed entity' shall undertake Directors and Officers insurance (D and O insurance) for all its independent directors for such sum assured and for such risks as may be determined by its board of directors.*

THE COMPANIES ACT, 2013

Extract of Section 149

(6) *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,—*

(a) *who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;*

(b) (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;*

(c) *who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, 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;*

(d) *none of whose relatives—*

(i) *is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:*

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

(ii) *is indebted to the company, its holding, subsidiary or associate company or their promoters, or Directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;*

(iii) *has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or Directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or*

(iv) *has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);*

(e) *who, neither himself nor any of his relatives—*

(i) *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;*

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial

years.

- (ii) *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) *a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or*
 - (B) *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;*
 - (iii) *holds together with his relatives two per cent. or more of the total voting power of the company; or*
 - (iv) *is a Chief Executive or director, by whatever name called, of any nonprofit organisation 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*
 - (f) *who possesses such other qualifications as may be prescribed.*
- (7) *Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as provided in sub-section (6).*
- Explanation.—For the purposes of this section, “nominee director” means a director nominated by any financial institution pursuant of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.*
- (8) *The company and independent Directors shall abide by the provisions specified in Schedule IV.*
- (9) *Notwithstanding anything contained in any other provision of this Act, but subject to the (9) provisions of sections 197 and 198, an independent director shall not be entitled to any stock option and may receive remuneration by way of fee provided under sub-section (5) of section 197, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.*
- Provided that if a company has no profits or its profits are inadequate, an (9) independent director may receive remuneration, exclusive of any fees payable under sub-(9) section (5) of section 197, in accordance with the provisions of Schedule V.*
- (10) *Subject to the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.*
- (11) *Notwithstanding anything contained in sub-section (10), no independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for*

appointment after the expiration of three years of ceasing to become an independent director:

Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly. Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

- (12) *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.*
- (13) *The provisions of sub-sections (6) and (7) of section 152 in respect of retirement of Directors by rotation shall not be applicable to appointment of independent Directors.*

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 fulfilment 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 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) *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 three months 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 financial 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.*

Other Relevant Provisions of the SEBI Listing Regulations

Extract of Regulation 17 - Board of Directors:

- (6) (d) *Independent directors shall not be entitled to any stock option.*
- (10) *The evaluation of independent directors shall be done by the entire board of directors which shall include -*
- (a) *performance of the directors; and*
- (b) *fulfillment of the independence criteria as specified in these regulations and their independence from the management.*

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

Extract of Regulation 17(A) - Maximum number of directorships:

The directors of listed entities shall comply with the following conditions with respect to the maximum number of directorships, including any alternate directorships that can be held by them at any point of time -

- (1) *A person shall not be a director in more than eight listed entities with effect from April 1, 2019 and in not more than seven listed entities with effect from April 1, 2020:*

Provided that a person shall not serve as an independent director in more than seven listed entities.

- (2) *Notwithstanding the above, any person who is serving as a whole time director / managing director in any listed entity shall serve as an independent director in not more than three listed entities.*

Explanation (1)—For the purpose of this regulation, the count for the number of listed entities on which a person is a director / independent director shall be cumulative of those whose equity shares are listed on a stock exchange and 'high value debt listed entities'.

Explanation (2)—For the purpose of this regulation, the directorship(s) held by a person on an ex-officio basis due to statute or applicable contractual framework in case of public sector undertakings and entities set up under a public private partnership arrangement shall not be included in calculating the maximum number of directorships.

Extract of Regulation 18 – Audit Committee:

- (1) (d) *The chairperson of the audit committee shall be an independent director and he /she shall be present at Annual general meeting to answer shareholder queries.*

Extract of Regulation 19 – Nomination and remuneration committee

- (2) *The Chairperson of the nomination and remuneration committee shall be an independent director: Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee*

Extract of Regulation 23 – Related party transactions:

- (2) *All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity:*

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Extract of Paragraph F of Schedule II (Corporate Governance) of Part E (Discretionary Requirements): Independent Directors

The independent directors of top 2000 listed entities as per market capitalization shall endeavour to hold at least two meetings in a financial year, without the presence of non-independent directors and members of the management and all the independent directors shall endeavour to be present at such meetings.