

DRAFT LETTER OF APPOINTMENT FOR AN INDEPENDENT DIRECTOR

Date:

To,

Dear _____,

We, on behalf of Board of Directors (the “Board”) of Mastek Limited (the “Company”) are pleased to inform you that your appointment as an Independent Director is approved by the Board and will be effective from _____ for a period of _____ consecutive years ending on _____, subject to the approval of shareholders of the Company at the ensuing Annual General Meeting or through a Postal Ballot Process. This appointment is as per the provisions of Section 149 of the Companies Act, 2013 and the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) as amended, with the Stock Exchanges (relevant extract enclosed) on the following terms and conditions:

1. Appointment

- 1.1 You are appointed as an Independent Director for a period of _____ consecutive years. Your appointment is subject to the maximum permissible directorships that one can hold as per the provisions of the Companies Act, 2013 and the Listing Regulations.
- 1.2 You will not be an employee of the Company, and this letter shall not constitute contract of employment.
- 1.3 The term Independent Director should be construed as defined under the Companies Act, 2013 and Listing Regulations (relevant extract enclosed).
- 1.4 The Company has adopted the provisions with respect to the appointment and tenure of an Independent Director, which is consistent with the provisions of the Companies Act, 2013 and Listing Regulations.

Accordingly, the Independent Director will serve on the Board of the Company for not more than consecutive years commencing _____ (date). The Company is at liberty to disengage the Independent Director

earlier subject to compliance with relevant provisions of the Companies Act, 2013 and Listing Regulations, if any.

2. Committees

- 2.1 Basis the recommendation(s) of the Nomination & Remuneration Committee of the Company, the Board may, if it deems fit, invite you to be appointed on one or more of the existing Board Committees or any such Committee that may be set up in the future. Your membership of the Committees may be revised by the Board as it deems fit from time to time. Your appointment on such Committees will be subject to the applicable regulations.
- 2.2 The Quorum for the meeting is either two members of the Committee or one-third of the members of the Committee, whichever is higher.

3 Time Commitment

- 3.1 As an Independent Director, you are expected to bring objectivity and independence of view to the Board's discussions and to provide help to 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. The Board meets at least four times a year. The Audit Committee also meets at least four times a year. Besides, there are other Committee meetings like the Nomination and Remuneration Committee, Stakeholder Relationship Committee, Corporate Social Responsibility Committee and Risk Management & Governance Committee meetings, which are generally held every quarter except CSR Committee. You will be expected to attend Board and the Board Committee meetings to which you may be appointed and Shareholder meetings and to devote such time, as appropriate, for you to discharge your duties effectively.
- 3.2 By accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations from your role as an Independent Director to the satisfaction of the Board.

4 Role and Duties

- 4.1 Your role and duties will be those normally required of an Independent Director under the Companies Act, 2013 (relevant extract enclosed) and as per the Listing Regulations. You will need to fulfil certain duties, fiduciary or otherwise, as provided herein below, prescribed for all Directors, both Executive and Non-Executive:
 - (i) You shall act in accordance with the Company's Articles of Association.
 - (ii) You shall act in good faith in order to promote the object of the Company for the benefit of its members as a whole and in the best interest of the Company. You will not allow any extraneous considerations that will vitiate your exercise of objective independent judgment in the paramount interest of the Company.
 - (iii) You shall discharge your duties with due and reasonable care, skill and diligence and refrain from any action that would lead to loss of your independence as an Independent Director, or your disqualification as a director, whether as per the provisions of the policies of the Company, Code of Conduct, Articles of Association, Companies Act 2013, SEBI Listing Regulations and any other prevailing applicable law.
 - (iv) You shall not involve yourself in a situation in which you may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company. (Please refer to Clause 7 herein below for full explanation of conflict of interest.)
 - (v) You shall not abuse your position to the detriment of the Company or its shareholders to achieve or attempt to achieve any undue gain or advantage either to yourself or to your relative, partners or associates.
 - (vi) You shall not assign your office as a Director, and any assignment so made shall be void.

- (vii) You shall strive to attend every meeting of the Board and of the Board Committees of which you are a member. In the event you are not able to attend Board Meeting physically, and the Company provides a video conference facility to facilitate participation, you may join the same.
- (viii) You shall actively and constructively participate in the Board/ Committee of the Board in which you may be a member or the Chairman. You shall not unfairly obstruct the proper functioning of the Board/ Committees. You shall also strive to attend the Meetings of Independent Directors as prescribed under the provisions of the Companies Act, 2013.
- (ix) You shall strive to attend the general meeting/s of shareholders of the Company.
- (x) You shall ensure that any concerns that you may have about the running of the Company are addressed by the Board and seek inclusion of these concerns in the Board minutes to the extent these concerns are not resolved.
- (xi) You shall keep yourself well informed about the Company and the external environment in which it operates.
- (xii) You shall ensure that related party transactions are adequately deliberated and considered carefully before they are approved and are in the interest of the Company.
- (xiii) You shall ensure that the Whistleblower/ Vigil mechanism function of the Company is functioning adequately and the interest of the person using it is not prejudicially affected.
- (xiv) You shall report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct and Ethics.
- (xv) You shall inform the Board immediately in the event a circumstance arises which makes you lose your independence.
- (xvi) You shall assist the Company in implementing the best corporate governance practices and compliances.
- (xvii) You shall balance the conflicting interests of the stakeholders.
- (xviii) You agree to abide by the Code of Independent Director's guidelines as prescribed under Schedule IV [refer Section 149(8)] to Companies Act 2013] (relevant extract enclosed).

4.2 In addition to the above requirements applicable to all Directors, the role of an Independent Director has the following key elements:

- (i) **Strategy:** Independent Director should constructively challenge and help to develop proposal on strategy;
- (ii) **Performance:** Independent Director should scrutinise the performance of management in meeting agreed goals and objective;
- (iii) **Risk:** Independent Director should satisfy himself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;
- (iv) **People:** Independent Director is responsible for determining appropriate levels of remuneration of Executive Directors and Key Managerial Persons and has a role in appointing and, where necessary, removing Executive Directors and in succession planning;
- (v) **Reporting:** Independent Director shall take responsibility for the processes for accurately reporting on performance and the financial position of Mastek Limited; and
- (vi) **Compliance:** Independent Director should keep governance and compliance with the applicable legislation/s and regulation/s under review and the conformity of Mastek Limited.

5 Functions and Responsibilities of an Independent Director

5.1 Functions:

A. To review the Company's Strategy, the annual financial plan and monitor the Company's performance

The primary role of the members of the Board is to exercise their business judgment to act in the best interest of the Company and its Shareholders, particularly minority shareholders and its employees. It is the duty of the Board to ensure that the management performs with competence and values to achieve the objective of the Company. The meeting of the Board, generally held once a quarter, includes an update on the business, financial and business-enable functions and discussion on such updates. The Audit Committee of the Board reviews the Company's financials and recommends the same to the Board for its approval and acceptance. The Board monitors the Company's performance against its annual financial plan at its quarterly meetings as well as at the end of the financial year.

B. To review management performance and compensation

The Nomination & Remuneration Committee of the Board evaluates the performance of the Executive Directors and Key Management Persons of the Company and recommends their compensation for the ensuing year to the Board.

C. To review and decide on succession planning of executive officers of the Company

The Nomination and Remuneration Committee of the Board works with the Board to develop an orderly plan for the appointment and appropriate level of remuneration of the Executive Director, Key Managerial Personnel and Senior Managerial Personnel one level below the Board (CEO DRs and Grade 17 & above) , of the Company and determines the appropriate level of their compensation packages. The Committee develops contingency plans for succession in the case of exigencies.

D. To advice and counsel the Management

The Board is expected to be composed of individuals whose knowledge, background, experience and judgment are valuable to the Company. They should also be capable of providing advice to the executive officers of the Company. Members of the Board have full access to the Management (Executive Officers) and other employees as well as to the Company's record and documents. The Board may also seek legal or other expert advice from a source independent of the Management.

E. To monitor and manage potential conflicts of interest of the Management

The Audit Committee of the Board reviews and approves related party transactions, as required under the applicable laws or regulations pertaining to Securities & Exchange Board of India (SEBI) /Stock Exchanges and Government agencies applicable to the Company.

F. To oversee and ensure the integrity of financial information and legal compliance

The Audit Committee of the Board oversees the Company's accounting and financial statement and assist the Board in overseeing (1) the integrity of the Company's financial statements, (2) The Company's compliance with legal and regulatory requirement, (3) the independent auditor's qualification, independence and performance, and (4) the Company's internal accounting and financial controls.

5.2 Responsibilities

Independent Director(s) has the same general legal responsibilities to the Company as that of any other director. The Board, as a whole, is collectively responsible for ensuring the success of the Company by directing and supervising the Company's affairs.

The Board-

- (i) provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;

- (ii) sets the Company's values and standards, ensures that its obligations to its shareholders and others are understood and met by the Company; and
- (iii) sets the Company's strategic aims, ensures that the necessary financial and human resource requirements are in place for the Company to meet its objectives, and reviews management performance.

6 Remuneration and Reimbursement

- 6.1 You will be paid remuneration by way of sitting fees for meetings of the Board and its Committees as may be decided by the Board from time to time. Further, you will also be eligible for remuneration by way of Commission based on individual performance as assessed by the Nomination and Remuneration Committee and net profits of the Company as may be approved by the Board and the Shareholders of the Company from time to time. As per the provisions of the Companies Act, 2013 and the policy of the Company, Commission payment to all the Non-Executive Directors is subject to a maximum of 1% of the net profits of the Company in a ratio as may be decided by the Board. The Commission payable to you will be subject to applicable taxes, including withholding tax. The Sitting fees/ Commission payment will be made to you only till you continue to be on the Board of the Company as a Director.
- 6.2 The Board meeting sitting fee presently being paid by the Company to the Non-Executive and/or Independent Director is Rs. 1,00,000/- per meeting of the Board, Rs. 1,00,000/- per meeting of an Audit Committee, Rs. 1,00,000/- per meeting for Nomination & Remuneration Committee, Rs. 1,00,000/- for Governance Committee, Rs. 50,000/- for Stakeholders Relationship Committee and Rs. 50,000/- for Corporate Social Responsibility Committee thereof. The sitting fees payable to you will be subject to applicable taxes, including withholding tax. No fee is paid for any other Committee Meetings.
- 6.3 In addition to the abovementioned remuneration, the Company will, for the period of your appointment, make an arrangement or reimburse you for travel, hotel and other incidental expenses to attend the Board or Committee Meeting in the performance of your role and duties.
- 6.4 You agree that the remuneration payable to you as mentioned under this Letter of Appointment is sufficient and adequate for the responsibilities you would render as an Independent Director of the Company under the applicable laws and is in full discharge of all obligations of the Company towards you as its Independent Director. You further agree that other than the remuneration mentioned herein, no payments, fees, compensation or any other amount shall be payable to you under this Letter of Appointment as an Independent Director of the Company or thereafter.

7 Conflict of Interest

- 7.1 It is expected that you shall not, at any time during your term as an Independent Director of the Company, serve on the Board of or advise or advise a division or a business of a company, firm, partnership, or corporation that engages in a business that is in direct competition with the business of the Company.
- 7.2 Further, you shall not, at any time during your term as an Independent Director of the Company, or twelve (12) months of separation thereafter, for whatever reason, whether directly or indirectly, (a) seek to do business with a person or entity that has been a customer or client of the Company, and (b) solicit to engage or employ any person, employee, officer, consultant or agent of the Company during your term.
- 7.3 The execution, delivery, and performance of this Letter of Appointment by you does not and shall not conflict with, breach, violate, or cause a default under:
 - a. any agreement, contract, or instrument to which you are a party; or
 - b. any judgment, order, or decree to which you are a subject.

- 7.4 You are not a party to or bound by non-compete and/ or confidentiality agreement with another company, firm, partnership or corporation that may be in conflict with your appointment herein.
- 7.5 It is accepted and acknowledged that you may have business interests other than those of the Company. As a condition to your appointment commencing, you are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form at the time of your appointment.
- 7.6 In the event that circumstances seem likely to change and might give rise to a conflict of interest or, when applicable, circumstances that might lead the Board to revise its judgment that you are independent, this should be disclosed to both the Chairman and the Secretary immediately. Generally, you shall notify the Board, or the Chairman or the Managing Director or the Global CEO if you become aware of circumstances that may adversely reflect upon you or the Company.
- 7.7 Any breach of this Clause 7 by you shall entitle the Company to injunctive relief and specific performance, as well as to any other legal or equitable remedy to which the Company may be entitled.

8 Confidentiality

- 8.1 All confidential information, including commercial secrets, technologies, advertising and sales promotion plans, and unpublished price sensitive information acquired by you during your appointment, is confidential to Mastek Limited and should not be disclosed, either during your appointment or after your cessation as Director (by whatever means) to third parties without prior clearance from the Board/Managing Director and Global CEO of the Company unless required by law. Upon a reasonable request, you shall surrender any and every document and other confidential material made available to you by Mastek Limited.
- 8.2 Your attention is also drawn to the requirement under the applicable regulations for compliance of Mastek's Code of Conduct for Directors, which relates to non-disclosure of price sensitive information and non-dealing in the securities of Mastek Limited. Consequently, you should avoid making any statements or performing any transaction that might result in a breach of these requirements without prior clearance from the Chairman or the Company Secretary.

9 Induction/Training of the Board

Every new Director of the Board needs to attend an orientation program organised by the Company. Presentations are made by Executive Director(s)/ senior managerial personnel thereat. The presentation covers an overview of our strategy and operation to familiarise the new Director about the strategy, operations and functions of the Company. The induction program will provide an opportunity to Director to interact with senior leadership of the Company and help the new Director understand the Company's Strategy, Operations, Services and Products offering, Markets, Software Delivery, Organization Structure, Finance, HR, Technology, Quality facilities and Risk Management and applicable Statutory Regulations. You agree to attend such familiarisation programmes.

10 Dealing in shares and Code of Conduct

To uphold ethical standards of integrity and probity, directors are prohibited from dealing in the Company's shares during the period when the trading window is closed. Further, directors, being designated officers of the Company for the purpose of insider trading guidelines, are required to pre-clear all trades (buy/sell/gift/pledge) from the Managing Director / Global CEO / and/or the Compliance Officer. You are required to comply with the applicable insider trading laws and regulations. You are also required to comply with the Company's Code of Conduct and Ethics, enclosed with this letter of appointment.

11 Evaluation

The Company has adopted a policy on Board Evaluation as provided under Companies Act, 2013 and as per the Listing Regulations. The policy provides for evaluation of the Board, the Committees of the Board and

individual directors, including the Chairman of the Board. As per the policy, the Company will carry out an evaluation of the performance of the Board as a whole, Board Committees and Directors on an annual basis. Your appointment and reappointment on the Board shall be subject to the outcome of the yearly evaluation process.

12 Insurance

Mastek Limited has taken Directors' and Officers' liability insurance cover of USD 20 million and it is intended that Mastek Limited will maintain adequate cover for the full term of your appointment by renewal of Directors' and Officers' liability insurance cover.

13 Independent Professional Advice

There may be occasions when you consider that you need to take professional advice, from independent advisers at the Company's cost, in furtherance of your duties as an Independent Director. The Company will reimburse the full cost of expenditure incurred in accordance with the Company's policy, as and when deemed necessary.

14 Independent Director's Discussion

Normally every quarter there is a meeting of Independent Directors to discuss the performance of the Company, risks faced by the Company, and the performance of executive members of the Board. However, in compliance with the provision of Companies Act, 2013 and schedule IV thereto, at least one meeting of Independent Directors shall be held in a year. You need to attend the same. The Chairman of the Board presides over such meetings and may invite any Executive Director/ Director and any Senior Management Personnel to make a presentation on the relevant issue.

15 Disclosure of Interest

The Company needs to include in its Annual Accounts a note of any material interest that a director may have in any transaction or arrangement the Company has entered into. Such interest should be disclosed to the Company no later than when the transaction or arrangement comes up at a Board meeting so that the minutes may record your interest appropriately and Company's records are updated. A general notice that you are interested in any contracts with a particular person, firm or company is acceptable. You may inform the Company promptly about changes therein as and when they occur.

16 Termination

- 16.1 You may resign from your position at any time and should you wish to do so, you are requested to serve a reasonable written notice thereof to the Board.
- 16.2 Your appointment as Independent Director will stand terminated, and/ or you will not be entitled to compensation if the Shareholders of the Company do not elect or re-elect you at any time.
- 16.3 Your reappointment may also be terminated in accordance with the provisions of Section 149 and 164 of the Companies Act, 2013, Listing Regulations, Code of Conduct and the Articles of Association of the Company.

17 Governing Law

- 17.1 This appointment letter is governed by and will be interpreted in accordance with Indian laws and your engagement shall be subject to the jurisdiction of the competent courts in India.
- 17.2 The Company Secretary will be in touch with you to apprise you of the various compliances required from you and information under the Companies Act, 2013, The Securities and Exchange Board of

India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other SEBI Rules and Regulations.

17.3 We are forwarding this letter in duplicate and request you to return the duplicate copy thereof duly signed as a token of your acceptance of your appointment as an Independent Director on the Board of Mastek Limited.

Thanking you,

Yours sincerely

For and on behalf of

MASTEK LIMITED

Ashank Desai
Chairman

Encl: A/A

I hereby acknowledge receipt of and accept the terms and conditions of appointment as an Independent Director of Mastek Limited as set out in this Appointment letter.

Sign: _____

Date: _____

Name of Director: _____

Place: _____

REGULATORY EXTRACTS

Please note that the below is only a point-in-time extract of applicable regulatory requirements applicable to the appointment, reappointment, continuation or termination of a term of an Independent Director in a Company listed on Stock Exchanges in India. The Company makes no representation that the below extract is exhaustive and covers all applicable requirements. You are advised to keep yourself updated on all regulatory requirements, rules, guidelines, etc., applicable to your appointment as an Independent Director of the Company. You may also contact Company Secretary of the Company to understand such requirements.

Responsibilities of the Board of Directors under Regulation 4(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as follows:

- (i) Disclosure of information:
 - (1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.
 - (2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.
- (ii) Key functions of the board of directors shall include:
 - (1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
 - (2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
 - (3) Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.
 - (4) Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
 - (5) Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.
 - (6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
 - (7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

- (8) Overseeing the process of disclosure and communications.
- (9) Monitoring and reviewing board of director's evaluation framework.
- (iii) Other responsibilities shall include:
 - (1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
 - (2) The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
 - (3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
 - (4) The board of directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
 - (5) Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.
 - (6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
 - (7) The board of directors shall exercise objective independent judgement on corporate affairs.
 - (8) The board of directors shall consider assigning a sufficient number of non-executive members of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
 - (9) The board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the listed entity to excessive risk.
 - (10) The board of directors shall 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 listed entity's focus.
 - (11) When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
 - (12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.

- (13) In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.
- (14) The board of directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors.

The Directors will comply with the requirements under Regulation 17 and 26 to the extent as may be applicable.

REGULATION 16 (1) (b) OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 – DEFINITION OF INDEPENDENT DIRECTOR

"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 two immediately preceding financial years or during the current financial year;

(v) none of whose relatives has or had pecuniary relationship or transaction with the listed entity, 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 from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;

(vi) who, neither himself, 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 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 —

(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 percent 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

Obligations with respect to Independent Directors.

Regulation 25. (1) No person shall be appointed or continue as an alternate director for an independent director of a listed entity.

(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.

(3) The independent directors of the listed entity shall hold at least one meeting in a 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 knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations.

(6) An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by listed entity at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later: Provided that where the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.

(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 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, 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 ability to discharge his 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) With effect from October 1, 2018, the top 500 listed entities by market capitalization calculated as on March 31 of the preceding financial year, 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.

SECTION 149(6) OF THE COMPANIES ACT, 2013

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 in pursuance 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 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.

(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.

Explanation.—For the purposes of sub-sections (10) and (11), any tenure of an independent director on the date of commencement of this Act shall not be counted as a term under those sub-sections.

(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.

COMPANIES (APPOINTMENT & QUALIFICATION OF DIRECTORS) RULES, 2014

5. Qualifications of Independent Director - An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

SCHEDULE IV [See Section 149(8)] TO COMPANIES ACT,2013

CODE FOR INDEPENDENT DIRECTORS

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) act within their authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

IV. Manner of appointment:

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

V. Reappointment:

The reappointment 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.

SECTION 166 OF THE COMPANIES ACT, 2013- DUTIES OF DIRECTOR

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