

## **Terms and conditions of Appointment of Independent Directors:**

Dear Mr.....,

### **Re: Your Appointment as Independent Director of the Company.**

We are pleased to advise you that the shareholders ..... on ..... have approved your appointment as an Independent Director of the Company, pursuant to the Companies Act, 2013 and the rules thereunder and the Listing Agreement with Stock Exchanges, to hold office for five consecutive years from.....

As required under the Companies Act, 2013, (hereinafter referred to as "Act" this letter of appointment is issued to formalise your appointment as an Independent Director. Kindly note that you will not be deemed to be an employee of the company and this letter does not constitute a contract of employment.

#### **A. Term of Appointment**

Your Appointment is for a term of 5 years commencing from ..... upto ..... This directorship is not subject to retirement by rotation during the term, as per the relevant provisions of the Act.

#### **B. Criteria for Appointment**

1. During your tenure as an Independent Director, you will have to submit a declaration at the beginning of every Financial Year under Section 149 (7) of the Act, 2013 stating that you meet the criteria of Independence.
2. So long as you are an Independent Director of the Company, the number of companies in which you hold office as a Director or a Chairman or Committee Member will not exceed the limit stipulated under the Act and the Listing Agreement.
3. So long as you are an Independent Director of the Company, you will ensure that you do not get disqualified to act as a Director pursuant to the provisions of Section 164 of the Act.
4. You will ensure compliance with other provisions of the Act and the Listing Agreement as applicable to you as an Independent Director.

(...contd.)

### **C. Code of Conduct and Duties and Responsibilities**

1. You will abide by the MRF Code of Conduct as set out in **Annexure I**.
2. You will abide by the guidelines of professional conduct, role, function and duties as an Independent Director provided in Schedule IV and other applicable provisions of the Act and Clause 49 of the Listing Agreement, as amended from time to time, as set out at **Annexure 2** hereto.
3. You will not hold office as a Director or any other office in a competing firm/entity.
4. Your reappointment will be recommended by the Nomination and Remuneration Committee of the Board, pursuant to a performance evaluation carried out by the Board.
5. You are currently a member of..... The Board may reconstitute any committee, from time to time, and any such change shall be communicated to you. You will be required to serve on such committees as the Board may request, from time to time. The terms of reference of the Committees are as stipulated by the Board from time to time as provided under the Act and the listing agreement.
6. You are expected to:
  - (i) Act in accordance with the Articles of Association of the Company.
  - (ii) Act in good faith in order to promote the objects of the Company
  - (iii) Take decisions objectively and solely in the interests of the Company
  - (iv) Facilitate Company's adherence to high standards of ethics and corporate behavior
  - (v) Attend all meetings of the Board of Directors and of the Board Committees of which you are a member and the General Meetings of the shareholders of the Company.
  - (vi) Inform the Board of any change in the status as an Independent Director.

(...contd.)

#### **D. Remuneration**

1. You will be paid remuneration by way of sitting fees for attending each meeting of the Board and its Committees as may be determined by the Board from time to time.
2. In addition to the above, you will be entitled to reimbursement of all expenses incurred by you in connection with your participation in the Board and Board Committee meetings and General Meetings.

#### **E. Disclosures**

1. You will have to submit certain information in the prescribed forms on a defined format periodically to the Board
2. You shall scrupulously follow the provisions of the Code of internal procedures and conduct framed by the Company pursuant to Regulation 12 of the SEBI (Prohibition of Insider Trading) Regulations, 1992 and other applicable Regulations in force from time to time in matters of securities transactions and pertaining to price sensitive information.
3. You will have to in respect of your business interests in other entities, if any, and in order to avoid any conflict of interest, disclose to the Board, in writing, the nature of interest both direct or indirect in any contract or arrangement entered or proposed to be entered by the company with such entities. In the event of any change in the nature of your interest, the same shall be disclosed to the Board forthwith. Further, you will be required to abstain from participating in the Board / Committee meetings where there is a deliberation or voting on any item of business in respect of which you are interested.

#### **F. Insurance**

The Company intends to provide all Directors with Directors and Officers Insurance cover while acting in their capacities as Directors. The amount of the Insurance cover will be made known as and when the said policy is taken by the Company.

#### **G. Confidentiality**

You will have access to confidential information, whether or not the information is marked or designated as “confidential” or “proprietary”, relating to the Company and its business including legal, financial, technical, commercial, marketing and business related records, data, documents, reports, etc., client information, intellectual property rights (including trade secrets), (“**Confidential Information**”).

You shall use reasonable efforts to keep confidential and to not disclose to any third party, such Confidential Information.

(...contd.)

If any Confidential Information is required to be disclosed by you in response to any summons or in connection with any litigation, or in order to comply with any applicable law, order, regulation or ruling, then any such disclosure should be, to the extent possible, with the prior consent of the Board.

**E. Miscellaneous**

Should you so wish to resign from your position as an Independent Director, you may do so by communicating in writing to the Board after giving reasonable time to the Chairman to enable him to plan suitable succession to the Board.

Please confirm your acceptance by signing, dating, and returning a copy of this letter to the Company.

**Chairman & Managing Director**

**Agreed and Accepted**

### **Introduction**

*This Code of conduct has been framed in compliance with the provisions of Clause 49 of the listing agreement with the stock exchanges. The purpose of this code is to help ensure that the members of the Board, the Senior Management and the employees conduct the business with the highest standards of integrity, honesty, ethics, conduct and governance and also to ensure that they act in an efficient and transparent manner in the conduct of the day to day activities of the organization. It shall be our responsibility to maintain a co-operative, efficient, harmonious and productive work environment in the organization. We therefore shall endeavour to uphold the above in our day to day activities, comply with all applicable policies and procedures and ensure that all adhere to this Code.*

### **Applicability**

*The Code of conduct shall apply to:*

- 1. All the directors of the company.*
- 2. Members of the senior management of the company ( i.e., one level below the executive directors).*
- 3. Functional heads in the company.*

### **The Code**

*The members of the Board, senior management and the employees of the company must observe and abide with the following code of conduct:*

- 1. To act honestly, diligently and in good faith and integrity in all their dealings with the company.*
- 2. To exercise authority and power with due care and diligence whilst discharging their responsibility of office.*
- 3. Not to allow personal interests to conflict with the interests of the company.*
- 4. Comply with all applicable laws and regulations.*
- 5. To observe confidentiality of information acquired in the course of their duties.*
- 6. Use company's property only for official purposes and not for personal gains.*
- 7. Deal fairly with customers, suppliers, employees and other business partners.*
- 8. Supply products and services of the highest quality standard.*
- 9. To maintain high ethical standards.*
- 10. To make proper records of all financial transactions.*
- 11. To always act in the best interests of the company and its stakeholders.*
- 12. To exercise responsibilities with utmost cost consciousness within the organization and shall promote the same.*
- 13. To adhere to the insider trading code of the company*
- 14. To endeavour to attend all meetings of the Board / committee meetings as are required for the benefit, growth and development of the company.*
- 15. Not to accept any gifts / donations / comparable benefits in cash or kind from suppliers / service providers / business partners, etc. However an exception to this may be made for normal entertainment and for non-cash gifts upto a value of Rs 2,000/-*

16. *The directors to inform the Board of changes in their interests that may interfere with their ability to perform their duties, and in case of independent directors impact their independence as a board member.*

*Duties of Independent Directors as laid down in the Companies Act, 2013 is enclosed as an **Annexure**.*

*All the members of the Board, Senior Management and the functional heads in the Company shall affirm in writing compliance with this Code on an Annual basis in every financial year.*

*This Code of conduct was adopted by the Board of Directors at their meeting held on 25-10-2005. The Code was thereafter amended on 23<sup>rd</sup> July, 2014 to be deemed to come into force with effect from 01-10-2014.*

**Acknowledgement of receipt of Code of Conduct:**

I have received and read the Code of Conduct, I understand the standards contained in the Code and I agree to comply with the same.

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Name, Signature and Date.

**Duties of Directors in terms of Section 166 of the Companies Act, 2013:**

- a) *Subject to the provisions of this Act, a director of the Company shall act in accordance with the Articles of the Company.*
- b) *A director of the 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.*
- c) *A director of the Company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.*
- d) *A director of the 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.*
- e) *A director of the 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.*
- f) *A director of the Company shall not assign his office and any assignment so made shall be void.*

**Duties of Independent Directors in terms of Schedule IV of the Companies Act, 2013 shall be as under:**

*The independent director shall—*

*(a) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company;*

*(b) 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;*

*(c) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;*

*(d) participate constructively and actively in the committees of the Board in which they are chairpersons or members;*

*(e) strive to attend the general meetings of the Company;*

*(f) 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;*

*(g) keep themselves well informed about the Company and the external environment in which it operates;*

*(h) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;*

*(i) 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;*

*(j) 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;*

*(k) report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;*

*(l) acting within his authority, assist in protecting the legitimate interests of the Company, shareholders and its employees;*

*(m) 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.*



**Guidelines of professional conduct, Role, Function and Duties as an Independent Director (As provided in Schedule IV of the Companies Act, 2013)**

**Guidelines for Professional conduct:**

1. To uphold ethical standards of integrity and probity;
2. To act objectively and constructively while exercising your duties;
3. To exercise their responsibilities in a bona fide manner in the interest of the Company;
4. To devote sufficient time and attention towards your professional obligations for informed and balanced decision making;
5. To not allow any extraneous considerations that will vitiate their 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. To not abuse their 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. To refrain from any action that would lead to loss of their independence;
8. where circumstances arise which make an independent Director lose his independence, the independent Director must immediately inform the Board accordingly;
9. To assist the Company in implementing the best corporate governance practices.

**Role and functions:**

1. Assist in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
2. Bring an objective view in the evaluation of the performance of Board and management.
3. Scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
4. Satisfy yourself on the integrity of financial information and that financial controls and 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.

**Duties:**

1. Moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest.
2. Undertake appropriate induction and regularly update and refresh your skills, knowledge and familiarity with the Company.
3. 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.
4. Strive to attend all meetings of the Board including a Separate meeting of the independent director and of the Board committees of which you are a member.
5. Participate constructively and actively in the committees of the Board in which you are chairperson or member.
6. Strive to attend the general meetings of the Company.
7. Where you 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 your concerns are recorded in the minutes of the Board meeting.
8. Keep yourself well informed about the Company and the external environment in which it operates.
9. Not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board.
10. Pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure yourself that the same are in the interest of the Company.
11. 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.
12. Report concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy.
13. Acting within your authority, assist in protecting the legitimate interests of the Company, shareholders and its employees.
14. 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.