

## **Terms & Conditions for Appointment of Independent Directors**

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### **LETTER OF APPOINTMENT FOR INDEPENDENT DIRECTORS**

To,  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_,  
\_\_\_\_\_.

Dear Sir/Madam,

#### **Sub: Appointment/Re-appointment of Independent Director**

I am pleased to inform you that upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors ('the Board') of Hero FinCorp Limited ('the Company') has approved your appointment/re-appointment as an Independent Director of the Company. This letter sets out the terms of your appointment/re-appointment.

#### **Appointment/Re-appointment**

In accordance with the provisions of the Companies Act, 2013 and other applicable laws, you will serve as an Independent Director of the Board for a term up to the date of annual general meeting to be held during the calendar year \_\_\_\_ Your appointment/re-appointment is subject to the approval of shareholders at the general meeting of the Company scheduled to be held on \_\_\_\_\_. Your appointment is also subject to the maximum permissible Directorships that one can hold as per the provisions of the Companies Act, 2013.

#### **Committees**

The Board may, if it deems fit, invite you for being appointed on one or more existing Board Committees or any such Committee that is set up in the future. Your appointment on such Committee(s) will be subject to the applicable regulations.

#### **Role, duties and responsibilities**

As member of the Board you along with the other Directors will be collectively responsible for meeting the objectives of the Board which include:

- Requirements under the Companies Act, 2013,
- Accountability under the Director's Responsibility Statement,
- Overseeing the maintenance of high standards of values and ethical conduct of business,
- Overseeing the Company's contribution to enhancing the quality of life of communities,

You shall abide by the 'Code For Independent Directors' as outlined in Schedule IV to section 149(8) of the 2013 Act, and duties of directors as provided in the 2013 Act (including Section 166). You will also be responsible for providing guidance in the area of your expertise.

#### **Fees / Commission**

Unless decided otherwise, you will be paid a sitting fee for your services as an Independent Director per meeting of the Board and committee thereof attended as a member.

In addition to the sitting fees, profit related commission may also be payable to you. In determining the amount of this commission, the Nomination and Remuneration Committee may consider various factors as per in the remuneration policy forms part of the Board's report.

### **Reimbursement of Expenses**

In addition to the fee described above, the Company will reimburse you for all reasonable and properly documented expenses you incur in performing your role. You may submit any details of expenses incurred to the Company.

During the appointment, circumstances may arise in the furtherance of your duties as a Director when it will be appropriate for you to seek advice from independent advisors at the Company's expense. The Company will reimburse the full cost of expenditure incurred as deemed necessary.

### **Insurance**

The Company will take an appropriate Directors' and Officers' Liability Insurance policy and pay the premiums for the same. It is intended to maintain such insurance cover for the term of your appointment, subject to the terms of such policy in force from time to time. A copy of the policy document will be supplied on request.

### **Code of Conduct & other compliances**

During the appointment, you will comply with any relevant regulations as may be issued by the Government of India and such other authorized bodies as set up by the Government on its behalf, including the Code for Independent Directors and such other requirements as the Board of Directors may from time to time specify.

At the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect your status as an independent director, you shall give a declaration to that effect confirming that you meet the criteria of independence as provided in Section 149(6).

### **Confidentiality**

You must apply the highest standards of confidentiality and not disclose to any person or company (whether during the course of the appointment or at any time after its termination) any confidential information concerning the Company and any Group Companies with which you come into contact by virtue of your position as a Non-Executive Independent Director of the Company.

Your attention is drawn to the requirements under both legislation and regulation as to the disclosure of price-sensitive information. Consequently, you should avoid making any statements that might risk a breach of these requirements without prior clearance from the Chairman.

### **Evaluation**

The Company will have to adopt a policy on Board Evaluation. 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 re appointment on the Board shall subject to the outcome of the yearly evaluation process.

### **Disclosures, other directorships and business interests**

During the Term, you agree to promptly notify the Company of any change in your directorships, and provide such other disclosures and information as may be required under the applicable laws. You also agree that upon becoming aware of any potential conflict of interest with your position as Independent Director of the Company, you shall promptly disclose the same to the Chairman and the Company Secretary. Please confirm that as on date of this letter, you have no such conflict of interest issues with your existing directorships.

During your Term, you agree to promptly provide a declaration under Section 149(7) of the Companies Act, 2013, upon any change in circumstances which may affect your status as an Independent Director.

### **Termination**

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 on the Board.

Continuation of your appointment is contingent on your getting re-elected by the shareholders in accordance with provisions of Companies Act, 2013 and the Articles of Association of the Company, from time to time in force.

Your appointment may also be terminated in accordance with the provisions of the Articles of Association of the Company from time to time in force.

### **Governing Law**

This agreement is governed by and will be interpreted in accordance with Indian law and your engagement shall be subject to the jurisdiction of the Indian courts.

If you are willing to accept these terms of appointment relating to your appointment as a non-executive Independent Director of Hero FinCorp Limited, kindly confirm your acceptance of these terms by signing and returning to us the enclosed copy of this letter.

Yours sincerely,  
For and on behalf of Hero FinCorp Limited

Managing Director

Date: \_\_\_\_\_

I hereby acknowledge receipt of and accept the terms set out in this letter.

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_

## SCHEDULE IV

[See section 149(8)]

**CODE FOR INDEPENDENT DIRECTORS**

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and 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) the Code of Business Ethics that the company expects its directors and employees to follow;
  - (f) the list of actions that a director should not do while functioning as such in the company; and
  - (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
- (5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
- (6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

**V. Re-appointment:**

The re-appointment of independent director shall be on the basis of report of performance evaluation.

**VI. Resignation or removal:**

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
- (3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

**VII. Separate meetings:**

- (1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:
  - (a) review the performance of non-independent directors and the Board as a whole;

- (b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- (c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**VIII. Evaluation mechanism:**

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

