

Date:

To,

Name of Director:

DIN:

Address:

**Subject: Letter of appointment as an Additional Non-Executive Independent Director on the Arthan Finance Private Limited**

Dear Sir,

We are pleased to inform you that the Board of Director has approved your appointment as an Additional Non-Executive Independent Director with effect from \_\_\_\_\_.

This letter of appointment sets out the broad terms and conditions of your appointment which are as follows:

### **1. Appointment**

- You have been appointed as an Additional, Non-Executive Independent Director of the Company w.e.f \_\_\_\_\_. Your appointment is subject to the extant provisions of the Companies Act, 2013 and Article of Association of Company (AoA). The appointment will be further subject to the approval of shareholders at the ensuing general meeting of the Company.
- In terms of provisions of section 149 read with section 152 of the Companies Act, 2013, an Independent Director shall hold office for a term of up to five consecutive years on the Board of a Company without being liable to retire by rotation.
- The term "Independent Director" should be construed as defined under Section 149(6) of the Companies Act, 2013.
- You shall ensure that in case any situation arises as to which you may lose your independence, you will immediately inform the Board.
- Your appointment is subject to the maximum permissible Directorships that an individual can hold as per the provisions of the Companies Act, 2013. Pursuant to Section 165 of the Companies Act, 2013, no person shall hold office as a Director, including any alternate directorship in more than twenty companies at the same time out of which maximum number of public companies in which a person can be appointed as a director shall not exceed ten. Directorship in private companies which are either holding or subsidiary company of a public company shall be calculated as public company.

### **2. Committees**

During the tenure of your office, you may be nominated for appointment on one or more committees of the Board of Directors, as set up from time to time. At present, there are no Committees of Board.

### **3. Board Expectation/Time Commitment**

As a Non-Executive Independent Director you are expected to bring objectivity and independence to the Board's discussions and provide the Board with effective leadership in relation to the Company strategy, Facilitate Company to adhere to high standards of ethics and corporate behavior, Guide the Board in monitoring the effectiveness of the Corporate governance practices and to recommend changes, required if any, Guide the Board in ensuring the integrity of the Company accounting and financial reporting systems, Guide the Board in ensuring effective implementation of risk management, Internal control and compliance with the law and relevant standards.

The Board expects you to devote your sufficient time and participate actively and constructively in:

- Meetings of the Board of Directors;
- The Annual General Meeting of the Bank;
- Extra Ordinary General meetings, if any;
- Meeting of various Committees of the Board in which will be inducted as member.

By accepting this appointment, you confirm that you are in a position to allocate sufficient time to meet the expectations of your role to the satisfaction of the Board.

### **4. Functions and Duties**

- Your role and duties will be those that are normally required from an Independent Director under the Companies Act, 2013. Your duties as per the Companies Act 2013 are enclosed as **Annexure A**.
- You shall abide by the 'Code for Independent Directors' as specified in Schedule IV to section 149(8) of the Companies Act, 2013. A copy of Schedule IV of the Companies Act, 2013 is enclosed as **Annexure B**.

### **5. Liabilities**

You as an Independent Director shall be held liable only, in respect of such acts of omission or commission by a Company which had occurred with your knowledge, attributable through Board processes, and with your consent or connivance or where you had not acted diligently.

### **6. Remuneration**

- You will be paid such remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board. Presently, the Company is not paying the sitting fees to Non-Executive Independent Director.
- Pursuant to the provisions of the Companies Act, 2013, you will not be entitled to any stock options.

#### **7. Reimbursement of Expenses**

- In addition to the remuneration described in paragraph 6, the Company will reimburse you all reasonable expenses incurred in the discharge of your roles/duties on providing proper documents.

#### **8. Conflict of Interest**

- As a condition to your appointment, you are required to declare any such conflict, directorships, appointments and interests to the Board in writing in the prescribed form at the time of your appointment. In the event that you become aware of any potential conflicts of interest, not declared so far, these may be disclosed to the Board of Director.
- It is expected that any interest you may have in any transaction or arrangement that the Company has entered into should be disclosed no later than when the transaction or arrangement comes up at a Board meeting so that the minutes may record your interest appropriately and our records are updated. A general notice that you are interested in any contracts with a particular person, firm or company is acceptable.

#### **9. Confidentiality of Information**

All information obtained, acquired or has access during your tenure of directorship is confidential and should not be disclosed or communicate, either during your tenure or following termination (by whatever means) to third parties without prior written clearance from the Board of Director, unless required by law or by regulatory authority. In the latter case, you would be required to suitably inform the Board of Director of such an event or disclosure. On reasonable request, you shall surrender any documents and other materials made available to you as holding the directorship of the Company.

#### **10. Performance Appraisal / Evaluation**

As a member of the Board, your performance as well as the performance of the entire Board and its Committees thereof shall be evaluated annually and evaluation of each director shall be done by all the other directors.

#### **11. 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 to the Board.
- Continuation of your appointment is dependent on your getting re-elected by the shareholders in accordance with provisions of the Companies Act, 2013. You will not be entitled to any compensation if the shareholders do not re-elect you at any time.
- Your appointment may also be terminated in accordance with the provisions of the Articles of Association of the Bank.

Please acknowledge your acceptance by signing where indicated below and returning to us the enclosed copy of this letter.

Yours Faithfully,

**For Arthan Finance Private Limited**

**Pravash Rajan Dash**

**Managing Director & CEO**

I have read and agree to the above terms regarding my appointment as an Independent Director.

I hereby affirm my acceptance to the same.

**Mr.**

**DIN:**

**Date:**

**Place: Mumbai**

**Duties of directors under Section 166 of the Companies Act, 2013**

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.

**Schedule IV of Companies Act, 2013**

[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. 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. 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:**

- 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;
- All the independent directors of the company shall strive to be present at such meeting;
- 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.