

DRAFT LETTER OF APPOINTMENT FOR INDEPENDENT DIRECTORS

Dear Mr. _____,

Re: Appointment as an Independent Director in STCI Finance Limited

We are pleased to inform you that the shareholders of the Company at the ___^t Annual General Meeting held on _____, have approved your appointment as an Independent Director pursuant to provisions of the Companies Act, 2013 and the rules framed there under on the following terms and conditions:

- i. **Term of Appointment** : Your appointment as an Independent Director of the Company shall be for a term of 3 consecutive years upto the conclusion of 23rd AGM to be held in the calendar year _____, during which you shall not be liable to retire by rotation. Your appointment is subject to the provisions of the Companies Act, 2013 ("Act"), Articles of Association of the Company as amended from time to time.
- ii. **Committee Membership** : Presently, you are a member of the following Committees of the Board and shall continue to serve as a member of these Committees:
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____The Board of Directors ("Board") may from time to time nominate you as a member of any Board Committee.
- iii. **Role, Functions, Professional conduct, Duties:** Your role, functions, professional conduct, duties and liabilities will be as stipulated for Independent Directors under Section 149 and Schedule IV of the Act, which is enclosed as Annexure A for your ready reference. You shall also adhere to the duties of directors more specifically stipulated under section 166 of the Act (enclosed as Annexure B) and such other requirements under the Act or any other law for the time being in force as applicable to Directors. You shall adhere to the Code / policies as may be adopted by the Board of the Company for its Directors from time to time.
- iv. **Directors' Liability Insurance:** The Company has taken a Directors' and Officers' Liability Insurance policy which is regularly renewed and will be maintained for the full term of your appointment.
- v. **Remuneration** : You will be entitled to sitting fees as determined by the Board from time to time for attending the meetings of the Board and the Board Committees of which you are a member. Presently, sitting fees paid to a Non-Executive Director is Rs. 20,000/- for attending each meeting of the Board and

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Committee thereof. In addition, the Company will reimburse expenses incurred on travel, hotel accommodation and other incidental expenses for attending the meetings of the Board /Committees thereof.

- vi. **Disclosures:** You shall disclose to the Board your directorships, appointments and interests as required under section 184 of the Act in the beginning of every financial year and the changes therein whenever there is a change in the disclosures already made. You shall also give a declaration that you meet the criteria of independence under section 149(6) of the Act (given in Annexure C) in the beginning of every financial year and whenever there is a change in circumstances which may affect your status as an Independent Director.
- vii. **Confidentiality:** You shall not disclose to any person or company any confidential information concerning the Company known by virtue of your position as an Independent Director of the Company unless the same is required by law or regulatory authorities.

This letter of appointment is being issued to you in terms of Clause IV(4) of Schedule IV to the Act. The letter does not constitute a contract for services or a service contract.

We look forward for your continued support and guidance to the Company.

Kindly acknowledge receipt.

Yours sincerely,

Chairman / MD & CEO

Encl : As above

ROLE, FUNCTIONS, PROFESSIONAL CONDUCT, DUTIES ETC OF INDEPENDENT DIRECTORS AS GIVEN IN SCHEDULE IV OF THE ACT – CODE OF 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 there under 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:

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. 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. 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.

Section 149 (12)-Liabilities of an Independent Director - Notwithstanding anything contained in this Act, an independent director and 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.

ANNEXURE B

Duties of directors stipulated under Section 166 of the Act

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
5. Indirect interest that conflicts, or possibly may conflict, with the interest of the company.
6. 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.
7. A director of a company shall not assign his office and any assignment so made shall be void.

Criteria of Independence as provided under Section 149(6) of the Act

.Section 149 (6) of the Act states that an Independent Director has been defined under the Act as a director other than MD or wholetime director who meets the following criteria of independence:

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

(b) who is or was not a promoter of the company or its holding, subsidiary or associate company; 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 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 has or had pecuniary relationship or transaction with the company, 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, whichever is lower, during the two immediately preceding financial years or during the current financial year;

(e) who, neither himself nor any of his relatives—7

(i) holds or has held the position of a key managerial personnel (KMP) 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,;

(ii) is or has been an employee or proprietor or a partner, in any of the following firms 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 NGO 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 prescribed i.e 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