

APPOINTMENT LETTER-ID



Date: [●]

To,

Dear [●],

Sub: Appointment as Independent Director of Maxwell Engineering Solutions Limited.

We sincerely thank you for kindly confirming to Maxwell Engineering Solutions Limited [‘the Company’] that you meet the independence criteria as laid down under Section 149(6) of the Companies Act, 2013, read with the applicable rules framed thereunder, and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [hereinafter referred to as ‘Listing Regulations’].

We are pleased to inform you that the shareholders of Maxwell Engineering Solutions Limited in the General Meeting held on [●], have approved your appointment as an Independent Director of the Company with effect from [●].

We look forward to your valuable guidance and are confident that your association will significantly contribute to the growth and governance of the Company.

This letter is being issued in compliance with the requirements of Schedule IV to the Companies Act, 2013, pertaining to the Code for Independent Directors, and the applicable provisions of the Listing Regulations.

The purpose of this letter is to outline the broad terms and conditions of your appointment as an Independent Director on the Board of the Company.

Please note that the terms of your appointment are subject to:

- (i) the applicable provisions of the Act and SEBI LODR (as amended from time to time), and
- (ii) the Articles of Association of the Company (“AOA”).

We thank you once again for accepting this responsibility and look forward to your continued support and insights.

1. Terms of Appointment:

- Your appointment as an Independent Director is for a term of five (5) consecutive years, commencing from [●] and ending on [●], in accordance with the provisions of the Companies Act, 2013.
- In line with Section 152(6) of the Act, your appointment shall not be subject to retirement by rotation.

- During your tenure as an Independent Director, you will be expected to attend all the meetings of the Board of Directors and of the Committees thereof in which the Board may induct you from time to time.
- Upon your induction into any Committee(s), you will be provided with the relevant Committee charter outlining the roles and responsibilities associated with such membership.
- You are expected to adhere to the Code for Independent Directors as specified under Schedule IV of the Act and applicable SEBI regulations.
- Your appointment is based, inter alia, on the declaration provided by you confirming that you meet the criteria of independence as laid down under Section 149(6) of the Act and Regulation 16 of the SEBI Listing Regulations, as amended from time to time. In the event of any change in your circumstances which may affect your status as an Independent Director, you are required to promptly notify the Board of Directors.
- The Company anticipates that you will commit adequate time and attention to discharge your responsibilities effectively. This includes attending Board and Committee meetings and devoting sufficient time for preparation prior to such meetings.

2. Role, duties and responsibilities:

As an Independent Director, you are expected to uphold the highest standards of integrity, objectivity, and professional conduct. Your key responsibilities will include:

I. Board Participation and Independent Judgment-

You are expected to bring an independent and objective perspective to the Board's deliberations, including areas concerning strategy, performance evaluation, risk management, financial reporting, and corporate governance. Your contribution should help enhance the effectiveness of the Board in decision-making and oversight.

II. Legal Responsibilities and Liabilities-

As an Independent Director, your legal duties are the same as those of other Directors under the Companies Act, 2013. However, in accordance with the proviso to Section 149(12), you shall be held liable only for acts of omission or commission by the Company that occurred with your knowledge (attributable through Board processes), with your consent or connivance, or where you have not acted diligently.

III. Statutory Duties-

You shall adhere to the duties of Directors as set out under the Act (particularly Sections 149(8) and 166), Schedule IV to the Act (Code for Independent Directors), SEBI Listing Regulations, and other applicable laws. These include, but are not limited to:

- Attending Board and Committee meetings.
- Maintaining confidentiality of information acquired during the course of your directorship.
- Acting in good faith and in the best interests of the Company, its shareholders, employees, and other stakeholders.
- Exercising independent judgment and raising queries or seeking clarifications as necessary for informed decision-making.

IV. Collective Responsibility of the Board:

In your role as a member of the Board, you will share collective responsibility with other Directors to:

- Comply with statutory requirements under the Companies Act, 2013.
- Fulfill the responsibilities of the Board as outlined in the SEBI Listing Regulations.
- Ensure compliance with the Director's Responsibility Statement under the Act.
- Uphold high standards of ethical business conduct, including adherence to the values and principles of the Company.
- Protect and enhance the reputation of the Company.

V. Codes of Conduct-

You shall abide by:

- The Code for Independent Directors under Schedule IV of the Companies Act, 2013.
- The Code for Non-Executive Directors, as adopted by the Board.
- Any other codes, charters, or policies applicable to Directors from time to time.

For your convenience, key extracts of the relevant provisions are enclosed as Annexure A.

VI. Expertise-Based Guidance-

You are also expected to provide guidance and advice in your areas of professional expertise, as and when required by the Board or management.

3. Remuneration:

As an Independent Director of the Company, you will be entitled to receive sitting fees of ₹20,000/- (Rupees Twenty Thousand only) per Board Meeting attended, subject to a maximum of ₹1,00,000/- (Rupees One Lakh only) per annum, as may be determined by the Board from time to time in accordance with applicable laws.

Note: No separate sitting fees shall be payable for Committee meetings.

The sitting fees shall be subject to tax deduction at source and other applicable taxes, in accordance with the provisions of the Income Tax Act, 1961.

The Company shall reimburse all reasonable and properly documented expenses incurred by you in the performance of your duties as an Independent Director. This includes expenses for travel, accommodation, and out-of-pocket costs incurred in the discharge of your duties, subject to prior approval and reasonableness.

During your tenure, you shall not be entitled to any bonus, participation in any employee stock option scheme, or issuance of stock options by the Company.

4. Other Directorships and Business Interests:

The Company acknowledges that you may have business interests or directorships outside of your role with the Company. However, in the event you become aware of any actual or potential conflict of interest, you are expected to promptly disclose the same to the Chairman and the Company Secretary.

You shall obtain prior approval of the Board of Directors before accepting any directorship or senior management position in companies or entities that are in direct competition with the Company, its subsidiaries, or associates.

During your tenure, you are also required to inform the Board in advance before accepting any directorships in publicly listed companies or any other significant external appointments, to ensure that no conflict arises with your responsibilities as an Independent Director of the Company.

5. Code of Conduct and Other Compliances:

During your tenure, you are required to comply with the following codes and regulations, as applicable to Independent Directors:

- Code for Independent Directors as prescribed under Schedule IV of the Companies Act, 2013.
- Code of Conduct for Non-Executive Directors and Independent Directors, as adopted by the Board.
- SEBI Listing Regulations, including Regulation 25, as amended from time to time.

At the first meeting of the Board in every financial year, you shall furnish a declaration confirming your continued independence as per the criteria laid down in Section 149(6) of the Companies Act, 2013 and applicable SEBI regulations.

You are expected to maintain strict confidentiality of all information obtained during the course of your directorship. Unless specifically authorized by the Board, you shall not disclose Company-related information to any external party. This obligation of confidentiality shall continue even after cessation of your directorship.

You are also required to comply with the provisions of:

- SEBI (Prohibition of Insider Trading) Regulations, 2015, and
- The Company's Code of Conduct for Prohibition of Insider Trading and Code of Fair Disclosure, prohibiting the use or disclosure of unpublished price sensitive information (UPSI).

You shall not engage in any activity or business relationship that may impair your independence of judgment or be perceived to conflict with the best interests of the Company.

6. Performance Review:

The performance evaluation of the Board as a whole, its committees, individual Directors, and the Chairperson is conducted annually by the Nomination and Remuneration Committee and the Board of Directors, in accordance with applicable laws and governance practices.

As a member of the Board, your performance, along with that of the Board and its Committees, will be subject to this annual evaluation process. Each Director shall be evaluated by their peers, based on predefined criteria.

The evaluation criteria shall be disclosed in the Company's Annual Report, while the actual evaluation process shall remain confidential and is intended to serve as a constructive mechanism for enhancing the overall effectiveness and functioning of the Board and its Committees.

7. Changes in Personal Details:

During your tenure, you are required to promptly notify the Company Secretary and, where applicable, the Registrar of Companies, in the prescribed manner, of any change in your address, contact information, or other personal details previously provided to the Company.

8. Disengagement:

You may resign from the office of Director by providing a written notice to the Company, stating the reasons for your resignation. Such resignation shall take effect from the date on which the notice is received by the Company, or the date specified in the notice, whichever is later.

Your directorship may also cease in accordance with the applicable provisions of law, including the Companies Act, 2013 and SEBI Listing Regulations.

The Company reserves the right to disengage you from the role of Independent Director prior to the completion of your term in the event of any violation of the Code of Conduct.

If, at any point during your tenure, there is a change in circumstances that may affect your status as an Independent Director under Section 149(6) of the Companies Act, 2013 or Regulation 16(1)(b) of the SEBI Listing Regulations, you are expected to promptly inform the Board and submit your resignation, effective from the date of such change.

9. Miscellaneous:

The terms of this letter shall be disclosed on the website of the Company.

10. Acknowledgement:

We are confident that the Board and the Company will greatly benefit from your rich experience, insights, and guidance. We are truly pleased to have you as an integral part of the Company's growth journey.

We sincerely thank you for your continued support and commitment.

Should you require any information or assistance in discharging your duties as an Independent Director, please feel free to contact the undersigned or the Company Secretary.

Thanking you.

Yours faithfully,
For and on behalf of the Board of
Maxwell Engineering Solutions Limited
(Formerly known as Maxwell Engineering Solutions Private Limited)

Chairman & Managing Director

Agreed and Accepted

I have read and understood the terms of my appointment as an Independent Director of the Company, and I hereby affirm my acceptance of the same.

(Name)



Relevant extracts of the provisions under the Companies Act, 2013.

Section 2(60) – definition:

“Officer who is in default”, for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:—

- (i) whole-time director;
- (ii) key managerial personnel;
- (iii) where there are no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;
- (iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;
- (v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;
- (vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;
- (vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer.

Section 134(5) – Financial statement, Board’s Report, etc.:

The Directors’ Responsibility Statement referred to in clause (c) of sub-section (3) shall state that—

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors had prepared the annual accounts on a going concern basis; and
- e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation. — For the purposes of this clause, the term “internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Section 149(6) – Company to have Board of Directors:

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 company 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 non-profit 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.

Rule (5) of the Companies (Appointment and Qualification of Directors) Rules, 2014 - Qualifications of Independent Director:

- (1) 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.
- (2) None of the relatives of an independent director, for the purposes of sub-clauses (ii) and (iii) of clause (d) of sub-section (6) of section 149, -
 - i. is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors; or
 - ii. 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 an amount of fifty lakhs rupees, at any time during the two immediately preceding financial years or during the current financial year.

Section 149(7) – Company to have Board of Directors:

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).

Section 149(8) – Company to have Board of Directors:

The company and independent directors shall abide by the provisions specified in Schedule IV.

Section 149(12) – Company to have Board of Directors:

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.

Section 166 – Duties of Directors:

- (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.

Section 184 – Disclosure of interest by Director:

- (1) Every 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 disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed.

(2) Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

- (a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
- (b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be,

shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

Section 188(5) – Related party transactions:

Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall, —

- (i) in case of listed company, be liable to a penalty of twenty-five lakh rupees; and
 - (ii) in case of any other company, be liable to a penalty of five lakh rupees.
-

SCHEDULE IV
[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: As an Independent Director, you shall:

1. Uphold ethical standards of integrity and probity.
2. Act objectively and constructively while exercising your duties.
3. Exercise your responsibilities in a bona fide manner in the interest of the company.
4. Devote sufficient time and attention to your 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 your 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 compromises your independence.
8. Inform the Board immediately if circumstances arise that affect your independence.
9. Assist the company in implementing best corporate governance practices.

II. Role and Functions: As an Independent Director, your role includes but is not limited to:

1. Contribute by 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. Objectively evaluating the Board and management's performance.
3. Scrutinizing the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
4. Ensuring integrity of financial information and that financial controls and the systems of risk management are robust and defensible.
5. Safeguarding stakeholder interests, especially minority shareholders.
6. Balancing the interests of various stakeholders.
7. Determining 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. Acting as an arbitrator in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

III. Duties of Independent Directors: As an Independent Director, you are expected to:

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 the 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 all the general meetings of the company.
6. Ensure that concerns about company operations or a proposed action 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. Stay well informed about company activities and the external environment in which it operates.
8. Ensuring not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board.
9. Ensure fair and adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company.
10. Assure the presence of 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 unethical behavior, actual or suspected fraud, or violation of the company's code of conduct or ethics policy.
12. Act within authority, assist in protecting the legitimate interests of the company, shareholders and its employees.
13. Protect confidential and sensitive company information including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless 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:

1. The independent directors of the company shall hold at least one meeting in a year 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.
-

Relevant extracts of the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Regulation 4(2)(f): Responsibilities of the board of directors:

The board of directors of the listed entity shall have the following responsibilities:

(i) Disclosure of information:

- 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.
- 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-

- 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.
- Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
- Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.
- Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
- 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.
- 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.
- 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.
- Overseeing the process of disclosure and communications.
- Monitoring and reviewing board of director's evaluation framework.

(iii) Other responsibilities:

- 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.
 - The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
 - 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.
 - The board of directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
 - Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.
 - The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
 - The board of directors shall exercise objective independent judgement on corporate affairs.
 - 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.
 - 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.
 - 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.
 - 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.
- (i) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.
- (ii) In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.
- (iii) 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.

Regulation 16(1)(b) - Definitions:

“**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 three immediately preceding financial years or during the current financial year;
- (v) none of whose relatives—
 - A. is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;
 - B. is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;
 - C. has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or
 - D. has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income:

Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.

- (iv) who, neither himself/herself, 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 or any company belonging to the promoter group of the listed entity, 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 other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.
 - 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 per cent 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;
- (v) who is not less than 21 years of age.
- (iv) 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.

Regulation 25(8), (9) and (10) - Obligations with respect to independent directors:

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.

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.

The top 1000 listed entities by market capitalization 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.

---X---