

Date:

To,

Mr/Ms.<<\_\_\_\_\_>>,

<<ADDRESS>>

Dear Sir,

**Sub: APPOINTMENT AS AN INDEPENDENT DIRECTOR - MR./MS. <<NAME>>**  
**(DIN: \_\_\_\_\_)**

I am pleased to inform you that the Board of Directors of the Company at their Meeting held on dated \_\_\_\_\_, have approved your appointment as an Independent Director of the Company in terms of the provisions of Section 149 of the Companies Act 2013 and rules made thereunder.

The letter sets out the terms and conditions covering your appointment which are follows:

#### 1. Appointment

- In accordance with the provisions of the Companies Act, 2013 (the “Act”) and the Rules made there under read with Schedule IV to the Act, you are appointed as a Non-Executive Independent Director on the Board of Directors of Company for a period of \_\_\_\_\_ consecutive years with effect from \_\_\_\_\_ to \_\_\_\_\_. Your appointment is also subject to the maximum permissible Directorships that one can hold as per the provisions of the Companies Act, 2013
- The term Independent Director should be construed as defined under the Act.
- The Company has adopted the provisions with respect to the appointment and tenure of Independent Directors which is consistent with the Act, as may be amended from time to time. Accordingly, the Independent Directors will serve for not more than two terms of five years each on the Board of the Company.
- The Company is at liberty to disengage the Independent Directors earlier subject to compliance of relevant provisions of the Act.

## 2. **Committee:**

The Board may, if it deems fit, invite you for being appointed on one or more existing Board Committees or any such Committee that it sets up in the future during the tenure of your office. Upon your appointment, you will be provided with the appropriate committee charter which sets out the functions of that Committee.

## 3. **Time Commitment:**

- As an Independent Director, you are expected to bring objectivity and independence of view to the Board's discussions and to help provide the Board with effective leadership in relation to the Company's strategy, performance, and risk management as well as ensuring high standards of financial probity and corporate governance. The Board meets at least four times in a year. The Company is required to constitute the following Committees of Directors with their terms of reference to be determined: a) Audit Committee b) Nomination and Remuneration Committee c) Stakeholders Relationship Committee d) Corporate Social Responsibility Committee and other Committee, as may be required. The Board may request you from time to time for being appointed on one or more of the aforesaid Committees or any other Committee as may be constituted from time to time. The mandate of the Committees shall be as decided by the Board from time to time. You will be expected to attend Board meetings, Board Committee(s) meeting to which you may be appointed and Shareholders meetings and to devote such time to your duties, as appropriate for you to discharge your duties effectively.
- The Board aims to have at least one "independent directors only" meeting during each financial year so that they can have a full and frank discussion on the performance of the Company, risks faced by the Company and the performance of executive members of the Board. Independent Directors may invite the Chairman, any executive director or any other senior management personnel to make presentations on relevant issues.

- By accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations from your role to the satisfaction of the Board.

#### **4. Role and Duties**

Independent directors have the same general legal responsibilities to the Company as that of any other director as provided under the Companies Act, 2013 and the rules thereunder. The Board, as a whole, is collectively responsible for ensuring the success of the Company by directing and supervising the Company's affairs. There are certain duties prescribed for all Directors, both Executive and Non-Executive, which are fiduciary in nature. Apart from that your conduct shall abide by the Code of Independent Directors as prescribed under the Schedule IV of the Companies Act, 2013, as may be amended from time to time and with the Code of Business Conduct and Ethics as formulated by the Company and as may be amended from time to time.

#### **5. Sitting Fee**

As an Independent Director, you will be paid sitting fee for each meeting of the Board and a sitting fee for each meeting of the committees attended.

#### **6. Conflict of Interest**

- It is accepted and acknowledged that you may have business interests other than those of the Company. You are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form at the time of your appointment and in the event of your further appointment and relinquishment as Director in other entities.
- In the event, your circumstances seem likely to change which might give rise to a conflict of interest or there are circumstances that might lead the Board to revise its judgment that you are independent, such circumstances shall be disclosed to the Board who shall have the authority to take appropriate decision in this regard.

#### **7. Confidentiality**

- All information acquired during your appointment is confidential to the Company and should not be released, either during your appointment or following termination (by whatever means) to third parties without prior clearance from the Chairman unless required by law or regulatory

body. On reasonable request, you shall surrender any documents and other materials made available to you by the Company.

- Your attention is also drawn to the requirements under the to be applicable regulations and the Code of Conduct for Prevention of Insider Trading which concerns the disclosure of price sensitive information and dealing in the securities of the Company going forward. Consequently, you should avoid making any statements or performing any transactions that might risk a breach of these requirements without prior clearance from the Chairman.

#### **8. Evaluation**

The Company will carry out an evaluation of the performance of the Board as a whole, Board Committees and Directors on an annual basis.

#### **9. Disclosure of Interest**

The Company is required to include in its Financial Statements a note of any material interest that a Director may have in any transaction or arrangement that the Company has entered into. Such interest 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. A general notice that you are interested in any contracts with a particular person, firm or company is acceptable.

#### **10. 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. Your appointment for a second term is contingent on your getting re-elected by the shareholders in accordance with provisions of Act.
- You will not be entitled to 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 Companies Act, 2013.

It is a pleasure to have you on board. I am confident that your association, expertise and advice will immensely benefit the Company and the Board.

**Annexure A**

**SCHEDULE IV TO THE 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.

**1. Guidelines of professional conduct:**

An independent director shall:

- uphold ethical standards of integrity and probity
- act objectively and constructively while exercising his duties
- exercise his responsibilities in a bona fide manner in the interest of the company
- devote sufficient time and attention to his professional obligations for informed and balanced decision making
- 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
- 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
- refrain from any action that would lead to loss of his independence.
- where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly
- assist the company in implementing the best corporate governance practices

**2. Role and functions:**

The independent directors shall:

- 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

Registered Office: THE LATTICE, Old No. 7/1, New No. 20, 4th Floor, Bishop Ezra Sargunam Road, Kilpauk, Chennai 600 010, T.N, India

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Unit II : Plot No. R1 - R3, Pappankuppam Village, SIPCOT Indl. Complex, Gummidipoondi, Thiruvallur, 601 201, T.N, India

T: +91 44 4340 9494 E: info@jainmetalgroup.com W: www.jainmetalgroup.com CIN No. L27320TN2022PLC150206

- bring an objective view in the evaluation of the performance of board and management
- scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance
- satisfy themselves on the integrity of financial information and those financial controls and the systems of risk management are robust and defensible
- safeguard the interests of all stakeholders, particularly the minority shareholders
- balance the conflicting interest of the stakeholders
- 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.
- moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### **3. Duties:**

The independent directors shall

- undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company.
- 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
- strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member
- participate constructively and actively in the committees of the Board in which they are chairpersons or members
- strive to attend the general meetings of the company
- 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
- keep themselves well informed about the company and the external environment in which it operates

- not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board
- 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
- 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.
- report concerns unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy.
- acting within his authority, assisting in protecting the legitimate interests of the company, shareholders, and its employees.
- 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.

**4. Manner of appointment:**

- 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.
- The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- 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 fulfills the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
- The appointment of independent directors shall be formalized 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) the Code of Business Ethics

- 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
- The terms and conditions of appointment of independent directors shall also be posted on the company's website.

#### **5. Re-appointment:**

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

#### **6. 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.

#### **7. Separate meetings:**

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

The meeting shall:

1. review the performance of non-independent directors and the Board as a whole, to review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors.
2. 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.

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**8. Evaluation mechanism:**

- The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- 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.

**DUTIES OF DIRECTORS AS PER SECTION 166 OF COMPANIES ACT, 2013**

- Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
- 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.
- A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- 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.
- 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.
- A director of a company shall not assign his office and any assignment so made shall be void.
- 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.