

## Terms and Conditions of Appointment of Independent Directors

### **a) Term of Appointment**

5 (Five) Years.

Subject to the provisions of section 149 of Companies Act, 2013 and terms of revised clause 49 of the Listing Agreement effective 1<sup>st</sup> October, 2014, an Independent Director may be eligible for re-appointment for not more than one more term of up to 5 (five) year subject to passing of Special Resolution by the shareholders of the Company.

As an Independent Director, the person will not be liable to retire by rotation.

The Board of Directors may invite an Independent Director for being appointed one or more of its existing Committees or any such Committee that is set up in the future. The appointment of an Independent Director on any Board Committee will be subject to applicable regulation in that behalf. Currently the Board has following Committees:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders Relationship / Grievance Redressal Committee

Committee to be set up is:

Enterprises Risk Management Committee

### **b) Expectation of the Board from the appointed director; the Board –level committee(s) in which the director is expected to serve and its tasks:**

As an independent Director, the Board expect the person to abide by the Code for Independent Directors as provided under Schedule IV to the Companies Act, 2013 during his /her tenure as an Independent Director on the Board of Directors of the Company A copy of the code is annexed here with this Letter of Appointment.

The Code under Schedule IV is a guide to professional conduct for independent directors, adherence where of by independent directors and fulfillment of their responsibilities in a professional and faithful manner is aimed at promoting confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

All Independent Directors are advised to read the Roles and Function as well as the Duties of the Independent Directors as given in the above said Schedule IV to the Companies Act, 2013 including the Duties u/s 166 and the Disclosure of Interest by director as required u/s 184 of the Companies Act, 2013 and follow the same during their tenure as an independent director on the Board of Directors of the Company.

In terms of Section 149(12) of the Companies Act, 2013, an Independent Director will be held liable only in respect of such omission or commission which has occurred with his/her knowledge, attributable through Board processes, or with his/her consent or connivance or where he/she has not acted diligently.

**C) Fiduciary duties that come with such an appointment along with accompanying liabilities:**

Directors being trustees of all the stakeholders of the Company own fiduciary duties towards them and are accordingly expected to:

- Act in good faith and candor in the best interests of the Company
- Not exploit the position of power for personal gain or advantage
- Avoid conflict of interest
- Carry out their role prudently and
- Not to act contrary to the interests of the Company

**D) Code of Business Ethics that the company expects its directors and employees to follow:**

The Company is committed to conduct its business in accordance with the applicable laws, rules and regulations and with the highest standards of business ethics. To this end, the Board has adopted a code of ethics for its Members, the Senior Management Personnel and also for all other employees of the Company. The Code is available on the website of the Company [www.cantabilinternational.com](http://www.cantabilinternational.com).

Cantabil's Code of Ethics is intended to provide guidance and help in recognizing and dealing with ethical issues, mechanisms to report unethical conduct, and to help foster a culture of honesty and accountability.

**E) List of action that a director should not do while functioning as such in the company:**

Appointment as an independent Director is governed by/attracts adherence to the following:

- Chapter XI of the Companies Act, 2013 on Appointment and Qualification of Directors
- Code for independent director as prescribed in schedule IV read with section 149(8) of the Companies Act, 2013
- Duties of directors as provided in section 166 and disclosure of interest by directors

- under section 184 of the Act.
- Responsibilities as outlined in Clause 49 of Listing Agreement on Corporate Governance
  - Company's Memorandum and Articles of Association
  - Company Policy on Prohibition of insider Trading
  - Company's Code of ethics

All Independent Directors are requested to follow the above said and not do anything contrary to it.

**F) Remuneration, mentioning periodic fees, reimbursement of expenses for articipation in the Boards and other meetings and profit related commission, If any:**

As a Non- Executive independent Director, the person is entitled to sitting fees for attending meeting of the Board, its Committees (in case he/she is a member) and the shareholders.

**G) Confidentiality**

All information acquired during one's appointment as an Independent Director is confidential and should not be released, either during his/her tenure as an independent Director or thereafter, to third parties unless required by law or the rules of any stock exchange or regulatory body.

## **ANNEXURE TO LETTER OF APPOINTMENT**

### **SCHEDULE IV**

[See section 149 (8) of the Companies Act, 2013]

#### **CODE FOR INDEPENDENT DIRECTORS**

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent director and fulfillment 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 profession 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 obligation 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. Scrutinize 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 of the Board in which they are chairpersons or 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 meeting of the company;
6. Where they have concerns about the running of the Company or proposed action; ensure that these are addressed by the Board and ,to the extent that they are not resolves, insist that their concerns are recorded in the minutes of the Board meeting;
7. Keep themselves well informed about the company or a 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 deliberation 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 behavior, 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 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) 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 action 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 Board and other meetings and profit related commission, if any.
- 5). The terms and conditions of appointment of independent director shall be open for inspection at the registered office of the company by any member during normal business hours.
- 6). The terms and condition 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 section 168 and 169 of the Act.
2. A independent director who resigns or is removed from the Board of the company shall be replaced by new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
3. Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by resignation or removal, as the case may be, the requirement of replacement by 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 of performance of the chairperson of the company, taking into account the view 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.

#### **VII. 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.