

## TERMS AND CONDITIONS OF APPOINTMENT OF INDEPENDENT DIRECTORS

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In accordance with the provisions of Section 149 read with schedule IV of the Companies Act, 2013 (“Act”), Shareholders of Torrent Power Limited (the “Company”) have, at their meeting held on 28<sup>th</sup> July, 2014, appointed

- (i) Shri Pankaj Patel, Shri Samir Barua, Shri Kiran Karnik and Shri Keki M. Mistry, for a period of 5 years effective from 1<sup>st</sup> April, 2014; and
  - (ii) Smt. Renu Challu, for a period of 3 years effective from 28<sup>th</sup> July, 2014;
- as Independent Directors (“Independent Directors”) of the Company.

The terms and conditions applicable for the aforesaid appointments are as follows:

1. Independent Directors shall discharge their duties in accordance with the provisions of the Act, the rules made there under, Listing Agreement, the articles of association of the Company etc. The Code for Independent Directors as provided in Schedule IV of the Companies Act, 2013 defining the guidelines for professional conduct, role & duties of Independent Directors, etc. is enclosed herewith for your ready reference – Annexure 1.
2. The Board of Directors (“Board”) has constituted the following committees to discharge the delegated functions as provided under the Act or otherwise:
  - a. Audit and Risk Management Committee
  - b. Corporate Social Responsibility Committee
  - c. Nomination and Remuneration Committee
  - d. Stakeholders Relationship Committee
  - e. Committee of Directors (for routine business)

The constitution of the aforementioned committees (“Committee(s)”) is decided by the Board at its meetings. Whenever such committees are constituted / reconstituted, Independent Directors, subject to their consent at the time of appointment, may be expected to be a member and attend the meetings of one or more of the committees.

3. Independent Directors are expected to attend :

- (a) Regular Board / relevant Committee meetings and ensure that they have read and understood the contents of all the documents and information provided to them in relation to each Board of Directors / Committee meetings and pursue such additional enquiries as they consider necessary and appropriate to be informed with respect to the Company's financial and operational performance;
- (b) The annual general meeting of the Company; and
- (c) Such other programmes / meetings as may be decided by the Board.

4. Independent Directors have been covered under the Directors and Officers Liabilities Insurance Policy ("Policy") of the Company. The details of the Policy, inter-alia, are as follows :

**Sum Insured:** Each loss Rs. 125 crores with an annual cap of Rs.125 crores

**Limits**

**Coverage:**

- Directors and officers of the Company and its subsidiaries against loss on account of a D&O Claim (damages and defence costs) arising out of Wrongful Acts.
- Deliberate fraudulent act and criminal acts are outside the ambit of the Policy. The Policy would however cover the defence cost of the D&O not involved in fraudulent or criminal activity even if one or more of the D&O is involved in such activity.

**Key Exclusions:**

- Deliberate fraudulent acts and criminal acts
- Environmental damage and pollution (defence cost is covered if claim is outside USA)
- Bodily injury and property damage
- Product Liability claims.

5. Independent Directors are required to comply with the Company's Code of Business Conduct, Code of Conduct for Prevention of Insider Trading, Whistle

Blower Policy and Company's other policies as may be applicable to Independent Directors including as a Director of the Company from time to time,

6. In terms of section 2(60)(vi) of the Companies Act, 2013, an officer in default, inter alia, means every director, in respect of a contravention of any of the provisions of the 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.
7. The appointment as an Independent Director shall be subject to the adherence to the Independence criteria as per the provisions of the Act and Listing Agreement
8. Further, as Independent Directors, they will receive remuneration, with effect from 1<sup>st</sup> April, 2014 , as mentioned below:
  - a. Sitting Fees of Rs.1 lac for each meeting of the Board or any Committee thereof, attended by them,
  - b. - Commission on the basis of participation in the meetings of Board and Audit and Risk Management Committee at the rate of:
    - i) Rs.3,00,000/- per Board Meeting,
    - ii) Rs.1,00,000/- per Audit and Risk Management Committee Meeting;- Payment of Commission to be made annually on determination of profits.  
- Commission as per above criteria is subject to the condition that total commission paid to all Directors (other than Managing Director or Whole-time director) including service tax thereon shall not exceed the limit of 1% of net profit in a financial year as laid down under the provisions of Section 197(1) of the Companies Act, 2013 (the "Act") read with Section 198 of the Act;
  - c. Independent Directors will be reimbursed for all the expenses incurred for attending any meeting of the Board or Committees thereof, and which may arise from performance of any special assignments given by the Board.

**Relevant Extract of CODE FOR INDEPENDENT DIRECTORS  
(Schedule IV of the Companies Act, 2013)**

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors 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.

**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 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 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 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 such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

#### **IV. 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.

**V. 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.