



## Elecon Engineering Company Limited

(CIN : L29100GJ1960PLC001082)

### **Terms and Conditions of appointment of Independent Directors**

#### **1. Period of Appointment:**

Subject to the provisions of Section 149 of Companies Act, 2013, the appointment shall be for 5 consecutive years for a term upto 31<sup>st</sup> March, 2019.

Notwithstanding the other provisions of this letter, the Appointment may be terminated at any time by the Company in accordance with the Companies Acts, 2013 or Articles of Association or the Director may resign by written notice. It is desirable that the Director gives the Chairman reasonable forewarning of his/her intention to resign or to not seek re-election (where that is possible) so that the Company can plan for succession of skills and experience on the board. Upon such termination or resignation for any reason, the Director shall not be entitled to any damages for loss of office and no fee will be payable to the Director in respect of any unexpired portion of the term of the Appointment.

#### **2. The expectation of the Board from the appointed Director:**

The Board expects from the appointed Independent Director that he/she shall –

- comply with the provisions of the Companies Act, 2013 and the rules made thereunder, including any statutory modification or amendment thereof and provisions of the listing agreement executed by the Company with stock exchanges as applicable to him/her as Independent Director.
- understand and carry out diligently, his roles & functions and duties as provided under Schedule IV to the Companies Act, 2013.
- adhere to the Code of Conduct of the Company for the members of the Board and Senior Management as laid down by the Board and confirm adherence of the same on an annual basis.
- shall avoid conflict of interest with the overall interests of the Company.
- shall apply the highest standards of confidentiality and not disclose to any person or entity (whether during the course of the Appointment or at any time after its termination) any confidential information concerning the Company and any group Companies which he may come to know by virtue of his position as Independent Director of the Company.
- shall act diligently and in good faith for the interest of the Company.

**3. Appointment in Board Level Committees and its tasks:**

During the tenure as Independent Director, he/she may be requested to serve on one or more Committees of the Board. The Director is expected to carry out his duties / tasks as member/chairman of such Committee(s) of the Board as per the terms of reference of such committee(s).

**4. The fiduciary duties that come with such appointment along with accompanying liabilities:**

- a. The Director, being at a statutory position and appointed pursuant to requirements of the laws, the appointment comes with fiduciary duties of a director as a trustee of the interests of the Company.
- b. 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, community and for the protection of environment.
- c. A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- d. The Director shall disclose interest in any of the contract or arrangements and also disclose the interest on periodical basis as required under law.
- e. The Director shall not misuse the assets, property, information or any other matter that he/she may have access to, in the capacity as a Director of the Company. The Director shall not engage in Insider Trading Activities.

The above list is only indicative and not exhaustive.

Any breach of fiduciary duties would warrant civil and criminal action or both by the Company its shareholders, statutory authorities and others. The Companies Act, 2013, envisages huge penalties and imprisonment for such breaches. The Directors are also exposed to Class Action Suit by Shareholders.

**5. Provision for Directors and Officers (D and O) insurance, if any:**

All the Directors and Officers of the Company are covered by D and O liability insurance.

**6. The Code of Business Ethics that the Company expects its directors and employees to follow:**

The Company has formulated a detailed Code of Conduct for the Board of Directors and Senior Employees of the Company. The Code of Conduct is also displayed in the Company's website. The Director shall affirm compliance with the code on an annual basis.

**7. The list of actions that a director should not do while functioning as such in the Company:**

The Directors shall not -

- a. Misuse the information in his/her possession.
- b. Engage in any way (both directly and indirectly) in any activity having conflict of interest with that of the Company.
- c. Break any law of the land or indulge or provoke the co-directors or employees to do the same.
- d. Enter into any contract or arrangement wherein he is directly or indirectly interested as per the provisions of the act.
- e. 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.
- f. A director of a company shall not assign his office and any assignment so made shall be void.

The above list is only indicative and not exhaustive.

**8. The remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any:**

The Independent Directors shall be paid sitting fees, as may be determined by the Board, for participating in the Board, Committee Meetings or other meetings. The out of pocket expenses reasonably incurred by the Directors for attending the Board or Committee Meetings or any other work of the Company shall be reimbursed.

Independent Directors may also be entitled to commission as may be decided by the Board from time to time, subject to the approval of the members of the Company.

**9. Confidentiality:**

The Director must apply the highest standards of confidentiality and not disclose to any person or company (whether during the course of the Appointment or at any time after its termination) any confidential information concerning the Company and any Group Companies with which the Director comes into contact by virtue of his/her position as an Independent Director of the Company.

The attention is drawn to the requirements under the applicable laws as to the disclosure of price-sensitive information. Consequently he/she should avoid making any statements that might risk a breach of these requirements without prior clearance from the other Members of the Board of Directors of the Company. On termination of the Appointment the Director will deliver to the Company all books, document, papers and other property of or relating to the business of the Company which are in his/her possession, custody or power by virtue of his/her position as an Independent Director of the Company. The Company may arrange the disposal of papers that the Director no longer requires.

#### **10. Miscellaneous:**

Independent Directors shall give annual declaration as required under the provision of section 149(7) of the Companies Act, 2013 and the rules made thereunder.

An Independent Director shall not serve as an independent director in more than seven listed companies or such number of listed Companies as may be stipulated by the Listing Agreement or any other law of the land, for the time being in force.

Further, an Independent Director who is serving as a whole time director in any listed company shall not serve as an independent director in more than three listed companies or such number of listed Companies as may be stipulated by the Listing Agreement or any other law of the land, for the time being in force.