



# **CHOICE INTERNATIONAL LIMITED**

## **TERMS AND CONDITIONS OF APPOINTMENT OF AN INDEPENDENT DIRECTOR**



**Terms and conditions of appointment of an Independent Director (“Appointment”) of Choice International Limited (the “Company”)**

**(As approved by the Board of Director at their meeting held on January 30, 2015)**

**The Terms and Conditions of Appointment of Independent Director shall be subject to the Provisions of Companies Act, 2013 and Article of Association adopted by the Company**

**1) Terms of Appointment of Independent Director**

The tenure / terms of appointment of Independent Director shall be subject to the approval of Shareholders in the General Meeting & would be in line with the applicable laws.

**2) Sitting Fees of Independent Directors**

The Independent Director would be entitled for sitting fees and commission as may be determined by the Board of Directors of the Company in accordance with the provisions of law for the director’s services as an Independent Director. In addition to the fee/commission described above, the Company will reimburse the Independent Director for all reasonable and properly documented expenses he/ she incurs in performing his/her role as an Independent Director.

**3) Fiduciary Duties of Independent Director**

The Duties and Liabilities of the Independent Director are disclosed in the Code adopted by the Company for Independent Director as per Schedule IV Section 149(8) of the Companies Act, 2013.

**4) Appointment as a Member/ Chairman of Committees of Board of Director**

The Independent Director may also be appointed as a member/chairman of any committee of the board, as may be determined by the board of directors of the Company from time to time. Such appointment shall be made in consultation with such independent director.

## **5) Evaluation**

As a member of the Board, the performance of the Independent Director is subject to evaluation by the other Board of Director's of the Company. The Evaluation criteria shall be laid down by the Nomination Committee. The Criteria for evaluation shall be disclosed in the Annual Report.

## **6) Other Directorship of Independent Director**

During the tenure , the Independent Director shall promptly notify the Company of any change in his/her Directorship, and provide such other disclosures as may be required under applicable laws. In addition to the above, the Directors are also responsible to disclose any conflict of Interest with the position of his/her Directorship in the Company or any contract or subject matter in which he /she is interested.

## **7) Code of Conduct**

During the Term, the Independent Director will comply with the Code of Conduct adopted by the Company and such other policies/ requirements as the Board of Directors may from time to time specify.

You shall also abide by the „Code for Independent Directors“ as outlined in Schedule IV to the Companies Act, 2013, and duties of directors as provided in the said Act. For your ready reference, the relevant provisions have been extracted and attached to this letter as

## **Annexure A**

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By order of the Board of Directors of

**Choice International Limited**

**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.

**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. 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 ;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;

7. 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 chair persons 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 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 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 with out 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, 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.