

**TERMS AND CONDITIONS OF APPOINTMENT – NON-EXECUTIVE,
INDEPENDENT DIRECTOR**

To,

**Sub: Letter of Appointment as a Director [Category – Non-executive, Independent]
of the Company**

Dear Sir/Madam,

We thank you for your confirmation to the Company that you meet the "Independence" criteria as envisaged in Section 149(6) of the Companies Act, 2013 ("the Act") and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and also for your consenting to hold office as a Director [Category - Non-executive, Independent] of the Company.

This letter sets out the terms of your appointment as Director and also as an Independent Director of the Company. Your relationship with the Company will be that of an office-holder and not one of contract for employment in the Company.

The terms of your appointment, as set out in this letter, are subject to the extant provisions of the applicable laws, including "Act" and "Listing Regulations" (as amended from time to time).

1. Term of Appointment

Your term of appointment as Non-Executive Independent Director is for a term of _____years on the Board of Directors of Company with effect from _____. Your appointment is subject to approval of the Shareholders as per the provisions of the Companies Act, 2013.

As an Independent Director you will not be liable to retire by rotation.

Your appointment is also subject to the maximum permissible Directorships that one can hold as per the provisions of the Act and the Listing Regulations.

2. Committees

The Board of Directors may, if it deems fit, invite you to serve on one or more of the Board Committees. Your appointment on such Committee (s) will be subject to applicable regulations and 'terms of reference' of the respective Committee.

3. Role, duties and responsibilities

A. As a member of the Board, you along with the other Director/s, will be collectively responsible for meeting the objectives of the Board which includes:

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- Requirements under the Companies Act, 2013;
- Responsibilities of the Board as outlined in the Corporate Governance requirements as prescribed by Stock Exchanges under "Listing Regulations";
- Accountability under the Directors' Responsibility Statement;
- Upholding ethical standards of integrity and probity;
- Acting objectively and constructively with due and reasonable care, skill and diligence while exercising duties;
- Exercising responsibilities in a bona fide manner in the interest of the Company; and
- guiding in the areas of expertise.

B. You shall abide by the 'Code for Independent Directors' as outlined in Schedule IV read with Section 149(8) of the Act, and duties of Directors as provided in the Act (including Section 166) and in "Listing Regulations". For your ready reference, the relevant provisions have been extracted and attached to this letter as an **Annex - A**.

4. Insurance

Sunflag has Directors' and Officers' liability insurance and it is intended that Company will assume and maintain such cover for the full term of your appointment.

5. Remuneration

As an Independent Director of the Company, you shall be paid sitting fees for attending the meeting/s of the Board and the Committees of which you are a member as fixed by the Board of Directors from time to time. Further, you may be paid remuneration by way of commission as may be approved by the Board of Directors and the Shareholders (Members) of the Company from time to time.

In addition to the remuneration described above, the Company will, during the period of your appointment, reimburse the travel, hotel and other incidental expenses incurred by you in the performance of your role and duties as an Independent Director of the Company.

6. Code of Business Ethics

As an Independent Director of the Company, you agree to comply with the following Code of Business Ethics: -

- will always act in the interest of the Company and ensure that any other business or personal association which you may have, does not involve any conflict of interest with the operations of the Company and your role therein;
- will comply with all applicable laws and regulations of all the relevant regulatory and other authorities as may be applicable to Directors in their individual capacities; and
- will safeguard the confidentiality of all information received by you by virtue of your position.

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

- Unless specifically authorised by the Company, you shall not disclose Company and business information to public constituencies such as the media, the financial community, employees, shareholders, agents, franchisees, dealers, distributors and importers.

Your obligation of confidentiality shall survive termination or cessation of your directorship with the Company.

We would also like to draw your kind attention to the applicability of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 on use of unpublished price sensitive information.

- you shall not participate in any business activity which might impede the application of your independent judgment in the best interest of the Company.
- you shall not misuse the information in your possession for personal gains.
- you shall not engage in any way (both directly or indirectly) with the competitors.
- you shall not in any way indulge in activities which may be construed as conflict of interest.

8. Disclosure of Change/s

During your tenure as an Independent Director of the Company, you agree to promptly provide a declaration under Section 149(7) of the Act, every year and upon any change in circumstances which may affect your status as an Independent Director, as per the provisions of the Act.

During the said period, you shall promptly intimate the Company Secretary and the Registrar of Companies in the prescribed manner, of any change in address or other contact and personal details provided to the Company.

9. Termination

Your directorship on the Board of the Company shall terminate or cease in accordance with law. Apart from the grounds of termination as specified in the Act and the rules framed thereunder.

You may resign from the directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation and also to Registrar of Companies (RoC). The resignation shall take effect from the date on which the notice is received by the Company or the date, if any, specified by you in the notice, whichever is later.

If at any stage during the term, there is a change that may affect your status as a Director of the Company as envisaged in the Companies Act, 2013 read with the relevant Rules framed there under, you agree to promptly submit your resignation to the Company with effect from the date of such change.

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DECLARATION CUM ACCEPTANCE

I have read and understood the terms of my appointment as a Director and also, as an Independent Director of the Company and I hereby affirm my acceptance to the same.

Signature :

Name :

Director Identification Number (DIN) –

ANNEX A TO THE LETTER OF APPOINTMENT/TERMS & CONDITIONS

The Companies Act, 2013

Section 166 - Duties of Directors

1. Subject to the provisions of this Act, a director of a Company shall act in accordance with the articles of the Company.
 2. 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.
 3. A director of a Company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
 4. 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.
 5. 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.
 6. A director of a Company shall not assign his office and any assignment so made shall be void.
 7. 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.
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SCHEDULE IV

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. Roles and Functions: -

An independent director 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 those 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: -

An independent director 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 Board's 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. Reappointment: -

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 three months 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.

VII. Separate meetings: -

1. The independent directors of the Company shall hold at least one meeting in a financial 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.
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