

ELIGIBILITY CRITERIA FOR APPOINTMENT OF DIRECTOR

An independent director is a person having many years of experience and acts as a guide for the company. The role they play in a company broadly includes improving corporate credibility and governance standards, function as watchdog, play a vital role in risk management and an active role in various committees set up by a company to ensure good governance.

Independent Director means non-executive Director who, apart from receiving directors remuneration, does not have any material/ pecuniary relationship or transaction with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates, which in judgment of the Board may affect independence of judgment of the Director.

The Companies 2013 specifically gives the definition of the Independent Director as under Section 149(6)

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

- (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- (c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;

(e) who, neither himself nor any of his relatives –

(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of–

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten percent or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company.

DIRECTOR QUALIFICATION CRITERIA AND INDEPENDENCE STANDARDS

The Nomination Committee shall evaluate each director candidate under the Director Qualification Criteria set forth herein.

Director Qualification - General Criteria

The Board has not established specific minimum age, education, years of business experience or specific types of skills for Board members, but, in general, expects qualified directors to have ample experience and a proven record of professional success, leadership and the highest level of personal and professional ethics, integrity and values.

In its evaluation, the Committee shall consider the Board size and composition of the Board to ensure that the Board will maintain a Good number of directors who qualify as “independent” pursuant to applicable Law and rules.

While considering the appointment of a Director nominated by Shareholders, the Committee and the Board should ensure that the candidate is in the whole time employment of the organisation/ institution represented by him. However such criteria will not apply to the RBI Nominee. It should also be ensured that the proposed director candidate has atleast two years of residual service in their respective organisation.

The Committee shall also consider whether each director candidate and each director possesses the following:

- The highest level of personal and professional ethics, reputation, integrity and values;
- An appreciation of the Company's mission and purpose, and loyalty to the interests of the Company and its shareholders;
- The ability to exercise objectivity and independence in making informed business decisions;
- The willingness and commitment to devote the extensive time necessary to fulfill his/her duties;
- The ability to communicate effectively and collaborate with other Board members to contribute effectively to the diversity of perspectives that enhances Board and Committee deliberations, including a willingness to listen and respect the views of others; and
- The skills, knowledge and expertise relevant to the Company's business, with extensive experience at a senior leadership level in a comparable company or organization, including, but not limited to relevant experience in international operations, public service, finance, accounting, strategic planning, technology and marketing.

Director's Disqualifications

A person shall not be eligible for appointment as a director of a company, if –

- (a) he is of unsound mind and stands so declared by a competent court;
- (b) he is an undischarged insolvent;
- (c) he has applied to be adjudicated as an insolvent and his application is pending;

(d) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

(e) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;

(f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;

(g) he has been convicted of the offence dealing with related party transactions at any time during the last preceding five years; or

(h) he has not been allotted the Director Identification Number

No person who is or has been a director of a company which—

(a) has not filed financial statements or annual returns for any continuous period of three financial years; or

(b) has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.

The Committee shall also consider its policies with respect to retirement age, change in employment status, as well as all other relevant facts and circumstances in making its recommendations to the Board.

Formal appointment of Independent Directors

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 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.

Tenure of appointment of independent director

An independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

No independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director:

Separate meeting of Independent Directors

Independent Directors would have the option and freedom to meet company management periodically to enable them to study and analyze various information and data provided by the Company management.

Independent Directors may also meet separately to discuss the issues pertaining to the Company on a regular basis.

- (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.

Woman Director

There would always be at least one woman director on the Board of the Company, where it is a public company, and has a paid-up share capital of one hundred crore rupees or more; or turnover of three hundred crore rupees or more.

Performance evaluation of Independent Directors and the Board of Directors on an annual basis

(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.

Individual Director Independence Determinations

All determinations of independence shall be made on a case-by-case basis for each director after consideration of all the relevant facts and circumstances and the standards set forth herein. The Board reserves the right to determine that any director is not independent even if he or she satisfies the criteria.

Declaration of Independence

Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence.

Notice of Change of Circumstances

Each director to be appointed as Independent Director, has an affirmative obligation to notify the Company of any change in circumstances that may put his or her independence at issue. If so notified, the Committee shall re-evaluate such director's independence, as promptly as practicable, and make a recommendation to the Board with respect to such director's independence.