

**Terms and Conditions of Appointment
of Independent Director**



< Date>

To:

<Name of Director>

<Address of Independent Director>

Re.: LETTER OF APPOINTMENT

Dear <Name of Independent Director>,

Welcome on Board,

We are pleased to inform you that the Board of Directors, in its meeting held <Date>, has considered your appointment as an Independent Director effective from <Date> which is subject to the approval of the Shareholders of the Company.

We thank you for your consent along with the declaration on fulfilment of criteria of “Independence” as envisaged in section 149(6) of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (a copy attached as **Annexure A** to this letter).

This letter sets out the terms of your proposed appointment as an Independent Director.

1. Appointment

Subject to approval of the Shareholders of the Company, your appointment shall be effective for a period of <Number> years from <Date>, provided you continue to meet the criteria of ‘Independence’ and remain ‘eligible to continue’ in accordance with the prevailing regulatory requirements.

As an ‘Independent Director’ you will not be liable to retire by rotation. Your relationship with the Company will be that of an office-holder and not as an employee of the Company. This letter does not constitute a ‘contract for an employment’.

Board Committee:

As per the Board’s assessment, during the tenure of your office as an Independent Director, you may be required to serve on one or more committees of the Board. Upon your appointment as a

Chairman / member of one or more committees, you will be provided 'Committee Charter / Terms of Reference' stating role, responsibilities and functions of that Committee.

2. Duties, Roles and Responsibilities

A) Collectively as a 'Board':

As a member of the Board, collectively with other Board Members, you shall:

- i) act in accordance with the Articles of Association of the Company
- ii) act in good faith in order to promote the objects of the Company for the benefit of its shareholders as a whole, and in the best interests of the Company, its employees, the community and for the protection of the environment;
- iii) conduct yourself so as to meet expectations of operational transparency to the stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision making; and
- iv) ensure that the report of the Board of Directors to the shareholders contains all the relevant disclosures.

Additionally, your responsibilities will include those outlined in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter may be referred as 'Listing Regulations'), the Companies Act, 2013 and other applicable and prevailing Act, Rules or Regulations.

B) Individually as a 'Member' of the Board you shall:

- i) Strive to attend Board and Committee meetings and shareholders' meetings regularly;
- ii) Abide by the provisions of the "Code for Independent Directors" which is part of Schedule IV to the Companies Act, 2013 (a copy attached as **Annexure B** to this letter). This will serve as a guide for professional conduct as you will observe, the Code details the guidelines of professional conduct, your role and functions, duties, etc.;
- iii) exercise your duties with due and reasonable care, skill and diligence and exercise independent judgment;
- iv) not involve yourself in a situation in which you may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company;
- v) not achieve or attempt to achieve any undue gain or advantage either to yourself or to your relatives or partners;
- vi) not assign your office;

- vii) not serve as an Independent Director in more than seven listed companies. If you happen to be serving as a Managing Director or Whole-time / Executive Director in any listed Company, then you cannot serve as an Independent Director in more than three listed Companies.
- viii) not hold office as a Director or any other office in a competing Firm / Company;
- ix) maintain confidentiality with utmost care about the Company as well as its subsidiaries' strategy, technology, planning, organisation, business outlook, budgets, financials and any information including price sensitive information, that may have an adverse impact on interest of the Company or its stakeholders;
- x) facilitate Company's adherence to high standards of ethics and corporate behaviour;
- xi) guide the Board in monitoring the effectiveness of the Company's governance practices and to recommend changes, required if any; and
- xii) guide the Board in ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of controls are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

As a Non-Executive Independent Director you will be liable only in respect of such acts of omission or commission by the Company which had occurred with your knowledge attributable through Board process / procedures, and with your consent or connivance or where you had not acted diligently.

3. Familiarisation Programme

You will be invited for a familiarisation program organised by the Company. This will provide you an opportunity to interact with senior management of the Company and help you understand the Company's strategy, operations, services and product offering, market structure and organization structure and the Board Procedures.

4. D & O Insurance

The Company maintains a Directors' and Officers' Liability Insurance Policy ['D&O Policy'] covering Liability up to INR 30,00,00,000 (Rupees Thirty Crores) for each and every claim and in the aggregate, for the Directors & Officers for claims made against them while serving on the Board and / or as an Officer of the Company.

5. Codes, Policies & Guidelines

You will abide by the Company's 'Codes of Conduct' & 'Policies' (to the extent applicable to an Independent Director) as amended from time to time.

6. Dealing in Company's Shares

Upon becoming a member of the Board, as per the prevailing regulatory requirements, you will be categorised as 'Insider' (means a person expected to have access to Unpublished Price Sensitive Information 'UPSI') therefore, you shall abide by the Company's Code on Prohibition of Insider Trading.

7. Remuneration

A. SITTING FEE

As an Independent Director, you shall be paid sitting fee for attending the meetings of the Board and Committees of which you are a member / Chairman as follows;

Board	: Rs. 100,000 / meeting,
Audit Committee	: Rs. 80,000 / meeting
Other Committee	: Rs. 50,000 / meeting

B. PROFIT RELATED COMMISSION:

You shall be entitled for the profit related commission, in the manner and to the extent, as approved by the Shareholders as per the recommendations of the Nomination and Remuneration Committee and the Board of Directors.

8. Disclosures, other directorships and business interests

During the tenure of your directorship, you agree to promptly notify the Company of any change in your directorships, and provide such other disclosures and information as may be required under the applicable laws. You also agree that upon becoming aware of any potential conflict of interest with your position as Independent Director of the Company, you shall promptly disclose the same to the Chairman and the Company Secretary.

9. Acceptance of Appointment

We have taken on record your consent to act as an Independent Director in prescribed form DIR-2. We are confident that the Board and the Company will benefit immensely from your rich experience and are excited to have you - as an integral part of the Company's growth journey.

We are sure you will find the referred terms and conditions in line with regulatory norms and as per our discussion. Please sign and return the enclosed copy of this letter as a token of your acceptance thereof.

Yours Sincerely,

For AARTI Industries Limited

Rajendra V Gogri

Chairman & Managing Director

[DIN: 00061003]

AGREE AND ACCEPT

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

Name of Director :

DIN :

Date:

Annexure A

Confirmation on “Independence” pursuant to Section 149(6) of the Companies Act, 2013 and Securities & Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015

I, <Name of Director>[DIN], aged <Number> years hereby declare /confirm that:

1. I am / was not a promoter of **Aarti Industries Limited** (“the Company”) or its holding, Subsidiary or Associate Company or member of promoter group;
2. I am not related to Promoters or Directors of the Company, its holding, Subsidiary or Associate Company;
3. I have / had no pecuniary relationship (other than remuneration as such director or having transaction not exceeding 10% of my total income) with the Company, its holding, Subsidiary or Associate Company, or their Promoters or directors, during the three immediately preceding financial years or during the current financial year;
4. None of my relatives;
 - (i) is holding any security of or interest in the Company, its holding, Subsidiary or Associate Company during the three immediately preceding financial years or during the current financial year in excess of its face value Rs. 50 lacs or 2% of paid up capital of the Company, its holding, Subsidiary or Associate Company.
 - (ii) is indebted to the Company, its holding, Subsidiary or Associate Company or their Promoters, or directors, during the three immediately preceding financial years or during the current financial year;
 - (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the Company, its holding, Subsidiary or Associate Company or their Promoters, or Directors of such holding Company, during the three immediately preceding financial years or during the current financial year; or
 - (iv) has any other pecuniary transaction or relationship with the listed entity, its holding, Subsidiary or Associate Company amounting to two percent or more of its gross turnover or total income.

I further declare that the pecuniary relationship or transaction with the listed entity, its holding, Subsidiary or Associate Company or their Promoters, or Directors in relation to points (i) to (iv) above does not exceed two percent of its gross turnover or total income or fifty lakh rupees, whichever is lower.
5. Neither any of my relatives nor I;
 - (i) hold or have held the position of a key managerial personnel or is or have been an employee of the Company or its holding, subsidiary, Associate Company or any Company belonging to the Promoter Group during the three immediately preceding financial years or during the current financial year; or
 - (ii) are/am or have been an employee or proprietor or a partner, during the three immediately preceding financial years or during the current financial year 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 10% or more of the gross turnover of such firm;
 - (iii) hold together with my relatives 2% or more of the total voting power of the Company; or
 - (iv) are/am a Chief Executive or Director, by whatever name called, of any non-profit organisation that receives 25% or more of its receipts from the Company, any of its Promoters, Directors or its holding, Subsidiary or Associate Company or that holds 2% or more of the total voting power of the Company; or
 - (v) am a material supplier, service provider or customer or a lessor or lessee of the Company.
6. I am not a Non-Independent Director of another Company on the Board of which any Non-Independent Director of this Company is an Independent Director.
7. I am not aware of any circumstance or situation, which exist or may be reasonably anticipated that could impair my ability to discharge my duties with an objective independent judgement and without any external influence.
8. I will inform the Company in writing, immediately, upon change in any of the aforesaid circumstances that may affect my status as an ‘Independent Director’ in the Company.
9. I declare that pursuant to Sub-Rule (1) and (2) of Rule 6 of Companies (Appointment and Qualification of Director) Rules, 2014, my name has been included in Independent Director’s Data Bank and my registration number is <__>.
10. I will declare, at the first meeting of the Board of Directors in every financial year that I satisfy the criteria of independence in accordance with the laws in force in India.
11. I declare that I am aware of and will abide with the Code for Independent Directors specified in the Section 149 (8) and Schedule IV of Companies Act, 2013.

Name of Director

[DIN: <Number>],

Annexure B
CODE FOR INDEPENDENT DIRECTORS

[Section 149(8), 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 & 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;
- (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 behaviour, 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 there under 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 & 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 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 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 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.

VI 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.

VII 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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