

National Engineering Industries Limited

Terms and Conditions of Appointment of Independent Directors of the Company in accordance with the applicable provisions of the Companies Act, 2013 and the Rules made thereunder

1. Term

A. Shri Kashi Nath Memani

Re-appointed as an Independent Director on the Board of the Company effective from 24th February, 2020 for a second term of five years.

B. Shri Manohar Lal Pachisia

Re-appointed as an Independent Director on the Board of the Company effective from 24th February, 2020 for a second term of five years.

C. Shri Ashwin Bishnoi

Re-appointed as an Independent Director on the Board of the Company effective from 9th May, 2019 for a second term of five years.

2. Appointment

- 2.1. Independent Directors appointment are also contingent on satisfactory performance and any relevant statutory provisions relating to the removal of a Director.
- 2.2. Notwithstanding the foregoing paragraphs, the Company may terminate appointment of Independent Directors with immediate effect if Independent Directors:
 - (a) commit a material breach of obligations under the letter of appointment issued to them as specifically mentioned herein; or
 - (b) commit any serious or repeated breach or non-observance of obligations to the Company (which include an obligation not to breach their duties to the Company, whether statutory, fiduciary or common-law); or
 - (c) are guilty of any fraud or dishonesty or acted in a manner which, in the opinion of the Company acting reasonably, brings or is likely to bring them or the Company into disrepute or is materially adverse to the interests of the Company; or
 - (d) are convicted of any criminal offence resulting in imprisonment of not less than 6 months; or

- (e) are declared insolvent or have made an arrangement with or for the benefit of creditors; or
- (f) are disqualified from acting as director or required to vacate the office as director, in accordance with the provisions of the Companies Act, 2013 read with rules framed there under as amended from time to time or any other applicable law.

2.3. If there are matters which arise which cause Independent Directors concern about their role they should discuss them with the chairman or the company secretary of the Company. If Independent Directors have any concerns that cannot be resolved, and they choose to resign for that, or any other, reason, they should provide an appropriate written statement to the Chairman or the Company Secretary for circulation to the Board.

3. Time commitment

3.1. The Board normally meets for a minimum of 4 (four) times in a year and holds additional meetings as the occasion requires. Independent Directors would also be required to attend a separate meeting of Independent Directors conducted at least once in a financial year.

3.2. Independent Directors confirm that they will be able to devote sufficient time and attention to meet the expectations of their role as Independent Director. Independent Directors will be expected to devote such time as is necessary for the proper performance of their duties and they should be prepared to spend sufficient time for preparation for and attendance at:

- scheduled Board meetings
- scheduled meetings of the Committees of the Board in which Independent Directors are member
- scheduled meeting of the Independent Directors
- general meetings of members including the AGM
- updating meetings/training
- meetings as part of the Board evaluation process
- such other activity / meeting as may be required for effective discharge of their professional obligations as independent director(s).

3.3. Meetings may involve Independent Directors in some travel within India or overseas. Unless urgent and unavoidable circumstances prevent them from doing so, it is expected that Independent Directors will attend all the meetings outlined above.

3.4. The nature of the role makes it impossible to be specific about the maximum time commitment, and there is always the possibility of additional time commitment in

respect of preparation time ahead of board meeting and *ad hoc* matters which may arise from time to time, and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board, committee or shareholder meetings.

- 3.5. By accepting this appointment Independent Directors have undertaken that taking into account all other commitments they may have, they are able to, and will, devote sufficient time to their duties as an independent director.
- 3.6. The Company recognizes the demands on the time of its directors. Management, under the oversight of the chairman and fellow directors are expected to ensure that the most efficient and productive use is made of the time which the independent directors commit to the Company.

4. Role of Independent Directors

- 4.1. The Board's role is to effectively represent, and promote the interests of, all the stakeholders with a view to adding long-term value to the Company's stakeholders. In the normal course of events, day to day management of the Company is left to management; the Board directs and supervises the management with regard to the business and affairs of the Company. Independent directors have the same general legal responsibilities to the Company as any other director.
- 4.2. Independent Directors acknowledges that the Board as a whole is collectively responsible for the success of the Company. The Board:
 - provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
 - sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and reviews management performance;
 - sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.
- 4.3. Independent Directors acknowledge that in addition to these requirements of all directors, the role of independent directors has the following key elements:
 - **Strategy** – independent directors should constructively challenge and help develop proposals on strategy.
 - **Performance** – independent directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

- **Risk** – independent directors should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.
- **People** – independent directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary removing, executive directors and in succession planning.

5. Primary duties of Independent Directors

- 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;
- bringing an objective view in the evaluation of the performance of board and management;
- safeguarding the interests of all stakeholders, particularly the minority shareholders;
- balancing the conflicting interest of the stakeholders;
- determining 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;
- moderating and arbitrating in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest;
- constructively challenging and helping in developing proposals on strategy;
- scrutinizing the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance;
- satisfying yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;
- upholding high standards of integrity and probity and supporting the other directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond;
- insisting on receiving high-quality information sufficiently in advance of board meetings;
- taking into account the views of shareholders and other stakeholders where appropriate;
- constructive and active participation in the committees of the Board in which Independent Directors are a chairperson or member;
- ensuring that their concerns about the running of the Company or a proposed action are addressed to the Board and recorded in the minutes of the meeting to the extent they are not resolved;
- being well informed about the Company and the external environment it operates in;

- not to unfairly obstruct the functioning of the Board or the committee of the Board;
- ensuring that sufficient deliberations are held before approving related party transactions and assure that they are in the interest of the Company;
- ascertaining and ensuring that the Company has an adequate and functional vigil mechanism and that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- reporting concerns about unethical behavior, actual or suspected fraud or violation of the Code; and
- assisting in protecting legitimate interests of the Company, shareholders and its employees.

6. Fiduciary responsibility of Independent Directors

- 6.1. A director of the Company shall act in accordance with the articles of association of the Company.
- 6.2. A director of the 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 particularly the minority shareholders, the community and for the protection of environment.
- 6.3. A director of the Company shall exercise his duties with due and reasonable care, skill and diligence.
- 6.4. A director of the 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 in terms of provisions of the Companies Act, 2013 read with rules framed thereunder as amended from time to time and other applicable laws.
- 6.5. A director of the 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 undue gain, he shall be liable to pay an amount equal to that gain to the Company.
- 6.6. A director of the Company must act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to -
 - the likely consequences of any decision in the long term;
 - the interests of the Company's employees;
 - the need to foster the Company's business relationships with suppliers, customers and others;
 - the impact of the Company's operations on the community and the environment;

- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

6.7. Unless specifically authorised to do so by the Board, a director of the Company must not enter into any legal or other commitment or contract on behalf of the Company.

6.8. Such other duties as may be specified by the Companies Act, 2013 read with the rules framed there under as amended from time to time and other applicable laws.

7. Code for Independent Directors, Business Ethics and Price Sensitive Information

7.1. Independent Directors are required to abide by the provisions of “Code for Independent Directors” (“**Code**”) specified in schedule IV of Companies Act, 2013, as amended from time to time, and Code of Conduct of the Company. Compliance with the Code would *inter alia* require to:

7.2. uphold ethical standards of integrity and probity;

7.3. act objectively and constructively while exercising your duties;

7.4. exercise your responsibilities in a bona fide manner in the interest of the Company;

7.5. devote sufficient time and attention to their professional obligations for informed and balanced decision making;

7.6. not allow any extraneous considerations that will vitiate their 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;

7.7. not abuse their 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;

7.8. refrain from any action that would lead to loss of their independence; where circumstances arise which result in loss of independence, inform the Board immediately;

7.9. assist the Company in implementing the best corporate governance practices.

7.10. During the period of appointment they are required to comply with the applicable provisions of the Securities and Exchange Board of India Act, 1992, Regulations framed thereunder and the statutory regulations.

8. Committee Involvement

- 8.1. Board committees are formed when it is efficient or necessary to facilitate effective decision-making. From time to time, as deemed fit by the Board, the Independent Directors may be requested by the Board to serve on one or more Board committees.
- 8.2. The Board may appoint Independent Directors as a member of any other Committee of the Board. As and when required, Independent Directors may seek the assistance of the company secretary to ensure that they are aware of the committee's terms of reference and the responsibilities involved.

9. Remuneration and Expenses

- 9.1. Independent Directors are eligible for sitting fees for attending meetings of the Board or committee thereof as decided by the Board from time to time. Independent Directors shall also be eligible for receipt of profit related commission as may be approved by the Board/members from time to time; however Independent Directors shall not be entitled to any stock option.
- 9.2. The Company will reimburse for all expenses, as may be incurred by Independent Directors for participation in the Board and other meetings, such as accommodation, travelling expenses etc., reasonably and properly incurred and documented.
- 9.3. All fees payable shall be subject to income tax and other statutory deductions.
- 9.4. On termination of the appointment, Independent Directors shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date.

10. Board and Individual Director Evaluation Processes

- 10.1. The performance of the Board as a whole, its committees and individual directors are evaluated annually.

11. Outside Interests Including Directorships

- 11.1. It is accepted and acknowledged that Independent Directors may have business interests other than those of the Company. Independent Directors are requested to contact the company secretary as soon as possible to arrange for the disclosures of their interests, direct or indirect as a shareholder, director, partner or owner of other companies, bodies corporate, firms or other entities as required under the Companies Act, 2013 read with rules framed there under, as may be amended from time to time and other applicable laws.

- 11.2. The Board of the Company, on the basis of certificate of independence submitted by Independent Directors, has determined Independent Directors to be independent according to Section 149 and Schedule IV of the Companies Act, 2013.
- 11.3. Please ensure that the Company is kept informed of any changes to their interests from time to time.
- 11.4. In the event that Independent Directors become aware of any further potential or actual conflicts of interest, these should be disclosed to the company secretary as soon as they become apparent.
- 11.5. Independent Directors will disclose any direct or indirect interest which Independent Directors may have in any matter being considered at a board meeting or committee meeting and, save as permitted under the articles of association, applicable provisions of the Companies Act 2013, Independent Directors will not vote on any resolution of the Board, or of one of its committees, on any matter where Independent Directors have any direct or indirect interest.

12. Shareholdings by Directors in the Company

- 12.1. Directors when buying or selling shares are expected to strictly observe the provisions of the Company's articles of association, the Company's own internal rules including the "Code of Conducts" framed by Company and all relevant legislative and regulatory procedures.

13. Induction and Development Processes

- 13.1. Independent Directors are expected to remain updated on how to best discharge their responsibilities as directors of the Company including keeping abreast of changes and trends in economic, political, social, financial and legal climates and governance practices.

14. Directors and Officers Liability Insurance

- 14.1. The Company provides all its directors with, and pays the premiums for, Directors and Officers Liability insurance cover, while acting in their capacities as directors. The present amount of the cover is Rupees One Hundred Fifty Crores.

15. Confidentiality

- 15.1. All information acquired during appointment of Independent Directors are confidential to the Company and should not be released, communicated, nor disclosed either during the period of appointment or following the expiry of the term or vacation (by whatever means) to third parties except as permitted by law and with prior clearance from the Chairman/ Company Secretary.

15.2. This restriction shall cease to apply to any confidential information which may (other than by reason of their breach) become available to the public generally.

15.3. Independent Directors acknowledge the need to hold and retain Company information (in whatever format they may receive it) under appropriately secure conditions.

16. Changes in personal details

16.1. Independent Directors shall advise the company secretary promptly of any change in address or other personal contact details.

17. Return of property

17.1. Upon termination of appointment with the Company (for whatever cause), Independent Directors shall deliver to the Company all documents, records, papers or other company property which may be in the possession of Independent Director(s) or under their control, and which relate in any way to the business affairs of the Company, and Independent Directors shall not retain any copies thereof.

18. Data protection

18.1. Independent Directors consent to the Company holding and processing information about them for legal, personnel, administrative and management purposes and in particular to the processing of any sensitive personal data or information (as defined in the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011) as applicable, information relating to:

- (i) password;
- (ii) financial information such as Bank account or credit card or debit card or other payment instrument details ;
- (iii) physical, physiological and mental health condition;
- (iv) sexual orientation;
- (v) medical records and history;
- (vi) Biometric information;
- (vii) any detail relating to the above clauses as provided to body corporate for providing service; and
- (viii) any of the information received under above clauses by body corporate for processing, stored or processed under lawful contract or otherwise.

18.2. Independent Directors acknowledges that any information that is freely available or accessible in public domain or furnished under the Right to Information Act, 2005 or any other law for the time being in force shall not be regarded as sensitive personal data or information for the purposes of those rules.

- 18.3. Independent Directors consent to the transfer of such personal information to other offices the Company may have or to other third parties, whether or not outside the Union of India, for administration purposes and other purposes in connection with the appointment, where it is necessary or desirable for the Company to do so.

19. Law

- 19.1. Independent Directors engagement with the Company is governed by and shall be construed and interpreted in accordance with the laws of India and their engagement shall be subject to the jurisdiction of the Courts of Kolkata, India.