



BELSTAR MICROFINANCE LIMITED

Terms and Conditions of Appointment of Independent Directors

[Pursuant to the provisions of Schedule IV to the Companies Act, 2013 ("the Act")]

The broad terms and conditions of appointment of Independent Directors are reproduced hereunder:

Adopted by The Board Of Director On 28th January 2020

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Criteria for Appointment of Independent Director

AS per the Companies Act 2013, the Criteria for appointment of Director are as follows

Eligibility

An independent director (ID) 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 per cent. 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; or

(f) who possesses such other qualifications as may be prescribed.

In addition to the conditions for independence laid down in section 149(6), the following additional conditions have been introduced by substitution of rule 6 effective 1st December 2019.

The summary of the provisions of the said rule is as below:

- A database of IDs will be maintained by the Indian Institute of Corporate Affairs (IICA).
- Every existing Independent Director (as on 1.12.2019) need to make application for inclusion of his name in the databank within 3 months from 1.12.2019
- Every individual who intends to be appointed as ID after 01.12.2019, shall before such appointment make an online application for inclusion of his/her name in the databank.
- Any individual, including an individual not having DIN may apply voluntarily to the Institute (IICA) for inclusion of his/her name in the Databank.
- The individual may opt for inclusion of his/her name in the databank for a period of 1 year, 5 years or life-time. It can be renewed from time to time. No renewal required if the name is included for life-time.
- Individuals whose name is entered in databank should within 1 year from the date of such inclusion pass an Online Proficiency Self-assessment Test conducted by IICA to avoid removal of name from the Databank.
- However, the following individuals need not pass the online examination: - those who have already served as Director or KMP for minimum of 10 years in
 - a) Listed Public Company or
 - b) Unlisted Public Company with paid up capital of Rs.10 Cr or more
- Every ID need to also include a declaration regarding his inclusion in the database, whenever he is required to give Declaration of Independence under section 149(7). As per the said section 149(7), the ID is required to give Declaration of Independence in the following cases:
 - at the first board meeting in which he participates as a director or
 - at the first board meeting in every financial year or
 - whenever there is any change in the circumstances which may affect his status as an independent director.

A. Term of Appointment

Every Independent Director will appoint subject to the approval of the shareholders of the Company at the General Meeting.

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 as provided in Companies Act 2013.

Explanation. --For the purposes of this section, "nominee director" means a director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

Subject to the provisions of section 152, 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 re-appointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

Notwithstanding anything contained in the provision of Companies Act 2013, 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. Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

B. Role & Responsibility

ID as member of the Board along with other Directors will be collectively responsible for meeting the objectives of the Board which include:

Requirements under the Companies Act, 2013, Schedule IV of the Act and the Rules made thereunder

Responsibilities of the Board as outlined in the Corporate Governance requirements

Accountability under the Director's Responsibility Statement

Overseeing the maintenance of high standards of Belstar Values and ethical conduct of business

Overseeing Belstar contribution to enhancing the quality of life of communities

IDs shall abide by the 'Code for Independent Directors as outlined in Schedule IV of the Companies Act, 2013 and duties of directors as provided in the Act (including Section 166).

ID is expected to:

- Take decisions objectively and solely in the interests of the Company;
- Facilitate Company's adherence to high standards of ethics and corporate behaviour;
- Guide the Board in monitoring the effectiveness of the Company's governance practices and to recommend changes, required if any;
- Guide the Board in monitoring and managing potential conflicts of interest of Management, Board Members and Stakeholders, including misuse of corporate assets and abuse in related party transactions;
- 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 control are in place,.
- Set the values and standards of the Company and ensure that its obligations to all its stakeholders are understood by the Management.
- Advise innovative ideas to set and achieve the goals of the Company.

C. Remuneration and Reimbursement of Expenses

ID remuneration will be as under:

- Sitting fees for attending each meeting of the Board and its Committee thereof either personally or through Video Conference or other audio visual means or for any other purpose whatsoever as may be determined by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 or as mention in the Article of Association.
- Any other fee subject to the provisions of the Companies Act 2013 and as per the Company's policy as amended from time to time.

ID will be entitled to reimbursement of expenses incurred by you in connection with attending the Board meetings, Board Committee meetings, Annual General Meetings and in relation to the business of the Company towards hotel accommodation, travelling and other out-of-pocket expenses. ID will not be entitled to any stock options. The Company has Directors' and Officers' liability insurance and it is intended that the Company will assume and maintain such cover for the full term of appointment of ID.

Notwithstanding anything contained in any other provision of this Act, but subject to the provisions of sections 197 and 198, an independent director shall not be entitled to any stock option and may receive remuneration by way of fee provided under sub-section (5) of section 197, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.

D. Performance Appraisal / Evaluation Process

As a member of the Board, ID performance shall be evaluated annually by the Board. The criteria for evaluation shall be determined by the Governance, Nomination and Remuneration Committee of the Board.

An indicative list of factors that may be evaluated as a part of this exercise is as follows:

- Participation and contribution by the ID,
- Commitment (including guidance provided to senior management outside of Board / Committee meetings),
- Effective deployment of knowledge and expertise, Effective management of relationship with stakeholders,
- Integrity and maintenance of confidentiality
- Independence of behaviour and judgment, and
- Impact and influence.

E. Disclosure of Interest

During the term, IDs need to promptly notify the Company of any change in their directorships and provide such other disclosures and information as may be required under the applicable laws. ID agrees that upon becoming aware of any potential conflict of interest with their position as ID, they shall promptly disclose the same to the Company. ID will have access to confidential information and shall use reasonable efforts to keep it confidential and to not disclose to any third party. During the term, ID 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.

Every year the ID need to give a declaration to the Board that he shall continue to meet all the requirements specified under Section 166, Section 149 (6) and Schedule IV of the Companies Act, 2013 for holding the position of Independent Director

F. Insurance

The Company does have a 'Directors and Officers Liability Insurance Policy' and such cover will be maintained for the full term of ID appointment.

G. Resignation or Termination

ID directorship shall terminate or cease in accordance with law. Apart from the grounds of termination as specified in the Companies Act, 2013 and as mentioned in the Article of Association of the Company from time to time in force and ID directorship may be terminated for violation of any provision of the Belstar Code of Conduct as applicable to Non-Executive Directors.

ID may resign from the directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation. The resignation shall take effect from the date on which the notice is received by the Company or the date, if any, specified by ID in the notice, whichever is later.

Continuation of ID appointment after the end of ID tenure is contingent on ID getting re-elected by the shareholders in accordance with provisions of Act, and the Articles of Association of the Company, from time to time in force. ID will not be entitled to compensation if the shareholders do not re-elect ID at any time.



DECLARATION OF INDEPENDENCE

[Pursuant to Section 149 (7) of the Companies Act, 2013]

To

The Board of Directors

Belstar Investment And Finance private Limited

New no. 33, old no. 14, 48th street,

9th avenue, Ashok Nagar,

Chennai - 600083

Dear Sirs,

Sub: Declaration by Independent Director

I hereby certify that I am holding the position of Independent Director on the Board of Belstar Investment and Finance private Limited. I further certify that I meet/ shall continue to meet all the requirements specified under Section 166, Section 149 (6) and Schedule IV of the Companies Act, 2013 for holding the position of Independent Director.

Place: Chennai

Dated this day of

Signature :

Name :

DIN :