



## KRN HEAT EXCHANGER AND REFRIGERATION LIMITED

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### TERMS AND CONDITIONS OF APPOINTMENT OF INDEPENDENT DIRECTORS

#### **Terms of Appointment:**

1. The appointment as an Independent Director on the Board of Directors of the Company is subject to the provisions of the Companies Act, 2013 and the SEBI LODR (Listing Obligations and disclosure Requirement), 2015 (Listing Regulations).
2. In compliance with provisions of Section 149(13) of the Companies Act, 2013, the directorship is not subject to retirement by rotation.
3. The appointment may be terminated in accordance with the provisions of the Articles of Association of the Company or on failure to meet the parameters of independence as defined in Section 149(6) or Regulation 16(1)(b) of Listing Regulations or on the occurrence of any event as defined in Section 167 of the Companies Act, 2013.
4. The Company has adopted the provisions with respect to appointment and tenure of Independent Directors, which is consistent with the Act, as may be amended from time to time. Accordingly, the Independent Directors will serve for not more than two terms of five years each on the Board of the Company. The Company is at liberty of disengagement.

#### **Time Commitment:**

5. As a Non-Executive Independent Director, the Company expected to bring objectivity and independence of view to the Board's discussions and to help provide the Board with effective leadership in relation to the Company's strategy, performance, and risk management as well as ensuring high standards of financial probity and corporate governance. The Board meets at least four times in a year.
6. The Board may request you from time to time for being appointed on one or more of the Committees or any other Committee as may be constituted from time to time. The mandate of the Committees shall be as decided by the Board from time to time. The Independent Directors be expected to attend Board meetings, Board Committee(s) meeting to which they may be appointed and Shareholders meetings and to devote such time to your duties, as appropriate for you to discharge the duties effectively. Ordinarily, all meetings are held at the registered office of the Company or such other as decided by the Board of Directors.
7. The Board aims to have at least one "independent directors only" meeting during each financial year so that they can have a full and frank discussion on the performance of the Company, risks faced by the Company and the performance of executive members of the Board. Independent Directors may invite the Chairman, any executive director or any other senior management personnel to make presentations on relevant issues.

#### **Role And Duties:**

8. Independent directors have the same general legal responsibilities to the Company as that of any other director as provided under the Companies Act,



2013 and the rules thereunder. The Board, as a whole, is collectively responsible for ensuring the success of the Company by directing and supervising the Company's affairs. Apart from that your conduct shall abide by the Code of Independent Directors as prescribed under the Schedule IV of the Companies Act, 2013, as may be amended from time to time and with the Code of Business Conduct and Ethics as formulated by the Company and as may be amended from time to time. The role and duties will be those normally required of a Non-Executive Independent Director under the Companies Act, 2013 and the Articles of Association. There are certain duties prescribed for all Directors, both Executive and Non-Executive, which are fiduciary in nature and are as under:

- (i) Shall act in accordance with the provisions of the Companies Act, 2013, and Company's Articles of Association.
  - (ii) Shall act in good faith in order to promote the objects of the Company for the benefit of its members, and in the best interest of the Company.
  - (iii) Shall discharge your duties with due and reasonable care, skill and diligence.
  - (iv) Shall 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) Shall not achieve or attempt to achieve any undue gain or advantage either to yourself or to your relatives, partners or associates.
  - (vi) Shall not assign the office as Director and any assignments so made shall be void.
9. In addition to the above requirements applicable to all Directors, the role of the Non-Executive Director has the following key elements:

**Strategy:** Independent Directors to constructively contribute to the development of the Company's strategy;

**Performance:** Independent Directors to oversee the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance;

**Risk:** Independent Directors to evaluate and ensure that financial information is accurate, and 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 the process of succession planning and also have a prime role in appointing, and where necessary, removing Senior Management;

**Reporting:** Independent Directors take responsibility for the processes for accurately reporting on performance and the financial position of KRN; and



**Compliance:** Independent Directors should keep governance and compliance with the applicable legislation and regulations under review and the conformity of KRN practices to accepted norms.

**Status of Appointment and Remuneration:**

10. As a Non-Executive Independent Director, will be paid such remuneration by way of sitting fees for meetings of the Board and its Committees as may be decided by the Board.
11. The payment of sitting fees will be within the limits mandated under the Companies Act, 2013 and Rules made thereunder (as amended from time to time).
12. Further, the Company shall reimburse to you such fair and reasonable expenditure, as may have been incurred by you while performing your role as an Independent Director of the Company. This would include reimbursement of expenditure incurred by you for attending Board/Committee meetings, Annual General Meetings, Extraordinary General Meetings, court convened meetings, meeting with shareholders/creditors/ management, etc.

**Conflict of Interest:**

13. It is accepted and acknowledged that Independent Directors may have business interests other than those of the Company. are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form at the time of your appointment and in the event of your further appointment and relinquishment as Director in other entities.
14. In the event, circumstances seem likely to change which might give rise to a conflict of interest or there are circumstances that might lead the Board to revise its judgement that you are independent, such circumstances shall be disclosed to the Board who shall have the authority to take appropriate decision in this regard.

**Confidentiality:**

15. All information acquired during your appointment is confidential to the Company and should not be released, either during your appointment or following termination (by whatever means) to third parties without prior clearance from the Chairman unless required by law or regulatory body. On reasonable request, shall surrender any documents and other materials made available to you by the Company.
16. Independent Directors will not, except with the prior written consent of the Company, be in any way connected with or interested in any business in competition with that of the Company. This does not prevent you from holding equity or other securities in other companies, however it is expected that you will not serve on the Boards of competing companies.
17. Independent Directors attention is also drawn to the requirements under the to be applicable regulations and the Code of Conduct for Prevention of Insider Trading which concerns the disclosure of price sensitive information and dealing in the securities of the Company going forward. Consequently, you should avoid making any statements or performing any transactions that might risk a breach of these requirements without prior clearance from the Chairman.



### **Familiarization Program:**

18. Immediately after the appointment, a familiarization program shall be undertaken for you to enable you to understand the business of the Company including sharing Organizational Chart, publicity material of the company & policy handbook of the Company etc. Ongoing training and familiarisation sessions, including briefings from management on business, strategy, operations & financial updates shall also be conducted.

### **Performance Appraisal / Evaluation Process:**

19. As a member of the Board, the performance as well as the performance of the entire Board and its Committees shall be evaluated annually. Evaluation of each director shall be done by all the other directors. The criteria for evaluation shall be determined by the Nomination and Remuneration Committee and disclosed in the Company's Annual Report.

### **Disclosure of Interest:**

20. The Company must include in its Annual Accounts a note of any material interest that a Director may have in any transaction or arrangement that the Company has entered into. Such interest should be disclosed no later than when the transaction or arrangement comes up at a Board meeting so that the minutes may record the interest appropriately and our records are updated. A general notice that are interested in any contracts with a particular person, firm or company is acceptable.

### **Termination**

- 21. Independent Directors may resign from your position at any time and should they wish to do so, are requested to serve a reasonable written notice on the Board.
- 22. The appointment for a second term is contingent on getting re-elected by the shareholders in accordance with provisions of Act. and will not be entitled to compensation if the shareholders do not re-elect you at any time.
- 23. The appointment may also be terminated in accordance with the provisions of the Companies Act, 2013.

### **Cooperation**

24. In the event of any claim or litigation against the Company, based upon any alleged conduct, act or omission on your part during your Term, agree to render all reasonable assistance and cooperation to the Company and provide such information and documents as are necessary and reasonably requested by the Company or its counsel.

## Schedule IV

[See section 149(8)]

### 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. Role and 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) scrutinise 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) 1["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 Boards 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. Re-appointment:**

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 3["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.