

Ref: NUCFDC/ID/\_\_\_\_\_  
Date: \_\_\_\_\_

To  
Name of Director,  
(DIN: \_\_\_\_\_)  
Address

**Sub.: Appointment as Independent Director**

Dear Sir,

I am pleased to intimate to you that the Board of Directors at its meeting dated \_\_\_\_\_ has appointed you as an Additional Director (Non-executive Independent) of the Company for a period of \_\_\_\_\_ years with effect from \_\_\_\_\_ and subject to the approval of Members at the ensuing Annual General Meeting.

It is my privilege to issue you an appointment letter pursuant to the provisions of the Companies Act, 2013 (the 'Act').

You are very well aware of the Directorial duties and rights as stipulated in Schedule IV of the Act, I narrate the same as under:

**1. Appointment**

- 1.1. You have been appointed as an Additional Director of the Company in the category "Non-executive Independent" on the Board of Directors of the Company with effect from \_\_\_\_\_ for a period of \_\_\_\_\_ years and your appointment is subject to approval of Members at the next Annual General Meeting.
- 1.2. Once you are appointed by the shareholders as an Independent Director you shall not be liable to retire by rotation.
- 1.3. Re-appointment at the end of the term shall be subject to the approval of the shareholders.

**2. Committees**

The Board of Directors (Board) may, if it deems fit, invite you for being appointed on one or more Existing Board Committees or any such Committee that is set up in the future. Your appointment on such Committee(s) will be subject to the applicable rules/regulations.

**3. Time Commitment**

- 3.1 As a Non- Executive Director, you are expected to actively participate at the meetings of the Board and its Committees and to help provide the Board in relation to the Company's strategy, performance and risk management as well as ensuring high standards of financial probity and corporate governance.
- 3.2 The Board meets at least four times in a year. The Audit Committee and Stakeholders Relationship Committee once mandated and constituted shall meet the minimum number of times as per legal provisions. Besides, there might be other Committee like Nomination and Remuneration Committee and

Risk Management Committee, the meeting of which might be convened when there is a need to convene thereof.

- 3.3 You are expected to attend the meetings of Board, Board Committees to which you may be appointed and also Shareholder's meetings and to devote such time to your duties, as appropriate for you to discharge your duties effectively. Ordinarily, meetings are held in Delhi or such other place as may be decided.

#### **4. Fiduciary Duties**

Your role and duties will be those normally required of a Non-Executive Independent Director under the Companies Act, 2013. There are certain duties prescribed for all Directors both Executive and Non-Executive, which are fiduciary in nature and inter alia are as under:

- 4.1 You shall act in accordance with the Company's Articles of Association.
- 4.2 You 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.
- 4.3 You shall discharge your duties with due and reasonable care, skill and diligence.
- 4.4 You 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 interests of the Company/Group or bring discredit to it. Any situation that creates a conflict of interest between personal interests and the Company and its stakeholders' interests, must be avoided at all costs. Please refer to clause 6 for full explanation on conflict of interest.
- 4.5 You shall not assign your office as Director and any assignments so made shall be void.

There are certain roles, functions and duties prescribed for all Independent Directors, which are listed in the 'Code for Independent Directors' as outlined in Schedule IV to the Companies Act, 2013. You shall abide by the said 'Code of Conduct for Independent Directors' as amended from time to time to the extent relevant and applicable to your role. The present code is annexed hereto as Annexure A.

#### **5. Status of Appointment**

You will not be an employee of the Company and this letter shall not constitute a contract of employment.

#### **6. Conflict of Interest**

- 6.1 It is accepted and acknowledged that you have business interests other than those of the Company. As a condition to your appointment commencing, you are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form from time to time.
- 6.2 In the event that your circumstances seem likely to change and might give rise to a conflict of interest or when applicable, circumstances that might lead the Board to revise its judgement that you are independent, this should be disclosed to both the Chairman and the Secretary.

## **7. Evaluation**

The Company has adopted a policy on Board Evaluation. The policy provides for evaluation of the Board, the Committees of the Board and individual Directors. As per the Policy, the Company will carry out an evaluation of the performance of the Board as a whole, Board Committees and Directors on an annual basis. Your appointment and re-appointment on the Board shall be subject to the outcome of the yearly evaluation process.

## **8. Disclosure of Interest**

8.1 Pursuant to the provisions of Section 184(1) of the Act, you are required to disclose you are concern or interest in any company or companies or bodies corporate, firms or other association of individuals which shall include the shareholding, as prescribed under the Rule 9 of the Companies (Meetings of the Board and its Powers) Rules, 2014 (as amended from time to time).

8.2 The Company has an obligation to 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 not later than when the transaction or arrangement comes up at a Board meeting so that the same may be recorded in the minutes appropriately and the records of the Company are updated. A general notice that you are interested in any contracts with a particular person, firm or company is acceptable.

8.3 Pursuant to the provisions of Section 149(7) of the Act, you are required to give a declaration that you meet the criteria of independence as provided in Section 149(6) of the Act and thereafter, at the first meeting of the Board in every financial year.

## **9. Training of the Board**

The Company provides an orientation program for new independent director of the Board. The program covers an overview of our strategy and operations to familiarize the new inductees about the strategy, operations and functions of our Company. The induction program will provide an opportunity to interact with the senior leadership of the Company and help the inductees understand the Company's strategy, operations, services and product offerings, markets, organization structure, finance, HR, technology, quality, facilities and risk management.

## **10. Retirement Policy**

10.1 The age of retirement for all executive directors is 60 years. The Nomination and Remuneration Committee may, at its discretion, determine their continuation as members of the Board upon superannuation/retirement.

10.2 An executive Board chair is permitted to serve in the capacity until the age of 75 years subject to provisions of the Companies Act, 2013.

## **11. Dealing in shares and Code of Conduct**

The Company is not listed at present. However, consequent upon listing of securities, the Directors shall be prohibited from dealing in the Company's shares during the period when the trading window is closed. Further, directors, being designated officers of the Company for the purpose of insider trading regulations, are to pre-clear all trades (buy/sell/gift) from the Compliance Officer. You shall be required to comply with the applicable

insider trading laws and regulations. You are also required to comply with Company's *Code of Conduct and Ethics*, once listing is done.

## **12. Confidentiality**

All information acquired during your tenure of directorship is confidential and should not be disclosed, either during your tenure or following termination (by whatever means) to third parties without prior clearance from the Chairman, unless required by law or by the rules of any stock exchange or regulatory body. In the latter case, you would be required to suitably inform the Chairman of such an event or disclosure. You should direct any media queries or approaches to the appropriate spokesperson within the Company. On reasonable request, you shall surrender any documents and other materials made available to you by the Company.

## **13. Termination**

13.1 You may resign from your position at any time and should you wish to do so, you are requested to serve a reasonable written notice to the Board.

13.2 The Continuation of your appointment is contingent on your getting re-elected by the shareholders in accordance with provisions of the Companies Act, 2013 and the rules made there-under, and the Articles of Association of the Company, from time to time in force.

13.3. Your appointment may also be terminated in accordance with the provisions of the Articles of Association of the Company.

It is a pleasure to have you on board. I am confident that your association, expertise and advice will immensely benefit the Company and the Board.

Best Regards,  
Yours sincerely,

**For National Urban Co-operative Finance and Development Corporation Limited**

**Authorised Signatory**

**Place:**

**Date:**

**Annexure A**  
**Schedule IV of Companies Act, 2013**  
**[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 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 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) 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) 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;
- 11) 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;

- 12) report concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;
- 13) acting within his authority, assist in protecting the legitimate interests of the Company, shareholders and its employees;
- 14) 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 fulfills 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 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(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 a period of not more than one hundred and eighty days 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 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.

**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.

I hereby acknowledge receipt of and accept the terms set out in this letter.

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**Name of Director:**

**DIN:**