

MENON PISTONS LIMITED

Governance Series

Terms and conditions of appointment of Independent Directors

[Regulation 46 & 62 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Format of Appointment letter with terms and conditions of appointment of Independent Directors

Date :

To,

Name:

Address:

Dear Sir / Madam,

Sub: Appointment as an Independent Director on the Board of the Company

We are pleased to inform you that at based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of Menon Pistons Limited ('the Company'), have approved your appointment as an Independent Director of the Company, subject to shareholders approval.

The terms of your appointment, as set out in the letter, are subject to the extant provisions of the Companies Act, 2013 ('the Act') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Regulations') (as may be amended from time to time).

1. Term of appointment:

- ✓ You shall serve as an Independent Director of the Board for a period of [·] years with effect from [·] upto [·], unless terminated earlier.
- ✓ You will not be liable to retire by rotation.
- ✓ As per the provisions of the Act and Regulations, your appointment is subject to approval of shareholders.
- ✓ Re-appointment at the end of the term, for another term of upto five years, shall be considered by the Board based on your performance evaluation in line with the evaluation criteria laid down by the Nomination and Remuneration Committee and be subject to approval of shareholders.

2. Board Committee(s):

- ✓ In addition to your role as Independent Director, as per the Board's current assessment, you required to serve on the following Committees of the Board in the below mentioned capacities –
[·] Committee – Chairman / Member
- ✓ The Board may reconstitute the composition of any / all Committee(s), from time to time, and any such change shall be promptly communicated to you. In such an event you may also be required to serve on other Committee(s) of the Board.

3. Roles, Duties and Responsibilities:

- ✓ As a member of the Board, you are expected to contribute your time and expertise for meeting the objective of the Board.
- ✓ You are expected to bring objectivity and independence of view to the Board's discussions.
- ✓ You shall provide an effective leadership in meeting Company's goals and future plans.
- ✓ You shall ensure high standard of ethics, integrity and governance while exercising your duties.
- ✓ You are requested to provide guidance in your area of expertise.
- ✓ You are also required to act in accordance with Section 166 of the Companies Act, 2013 which sets out your duties as a Director (Annexure - 1).
- ✓ You are required to adhere to the guidelines of professional conduct, roles, functions, duties etc., of an Independent Director as stipulated in the 'Code for Independent Directors' laid out in Schedule IV of the Companies Act, 2013 (Annexure - 2).
- ✓ You are expected to devote such time as is prudent and necessary for the proper performance of their role, duties and responsibilities as an Independent Director.

- ✓ Without prejudice to above, you shall be under an obligation to comply with all other laws as are applicable with respect to your appointment as a Director of the Company.

4. Liabilities:

As an Independent Director, you shall be held liable, only in respect of such acts of omission or commission by the Company which had occurred with your knowledge, attributable through Board and Committee processes, and with your consent or connivance or where you had not acted diligently.

5. Code of Conduct:

- ✓ The Company has formulated a Code of Conduct for Board of Directors and Senior Management Personnel, which is available on the Company's website under Corporate Governance segment.
- ✓ You shall abide by the said Code at all times.
- ✓ Being an Independent Director of the Company, you are classified as a Designated Person under the Company's Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons and their Immediate Relatives. Therefore, you are expected to abide by the aforesaid Code prepared as per SEBI (Prohibition of Insider Trading) Regulations, 2015, at all times.

6. Induction and Training:

- ✓ On induction, you will be familiarized with the nature of Industry, the Company's business operations and models and your roles, rights and responsibilities.
- ✓ You will also be updated on a frequent basis with regard to operations of the Company and recent changes in the provisions of the Act or Regulations, which will be of significant importance to the working of the Company.

7. Disclosures:

- ✓ You shall provide a declaration of independence as per the applicable provisions of the Act and Regulations on a yearly basis.
- ✓ You are required to promptly disclose any change or likelihood of change in circumstances which may affect your independence criteria. You shall also endeavour to provide necessary disclosures to enable the Board to make a judgment in this regard.
- ✓ You shall provide a declaration of compliance with Rule 6(1) and 6(2) of the Companies (Appointment and Qualification of Directors) Rules, 2014 with respect to inclusion of your name in the Independent Directors databank and that the registration is active, on a yearly basis.
- ✓ You shall provide an affirmation that affirms that you have fully complied with the provisions of the Code of Conduct for Board of Directors and Senior Management Personnel, on a yearly basis.
- ✓ During the term, you shall promptly notify the Company of your directorships / committee positions in other companies or change therein.
- ✓ You shall provide an annual disclosure under the Company's Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons and their Immediate Relatives.
- ✓ Such other disclosures as the Board may deem fit and communicated to you by the management of the Company.

8. Forbidden actions:

- ✓ Unless specifically authorised by the Company, you shall not disclose Company and business information to public constituencies such as the media, the financial community, employees, shareholders, agents or any other outside parties.
- ✓ You are prohibited to disclose any Unpublished Price Sensitive Information (UPSI) to others.
- ✓ You shall not engage in any activities which will affect your independence.
- ✓ You shall not abuse your 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.
- ✓ You shall not use Company's asset for your personal advantage.

- ✓ You shall not deal in Company's shares when the trading window is closed or when you are in possession of UPSI.
- ✓ During your term in the Company, you shall not to serve as an Independent Director in more than six other listed companies. This limit on directorship is further scaled down to two other listed companies, in case you are serving as a whole-time director in any other listed company.
- ✓ You shall not accede to membership in more than ten committees or act as Chairman of more than five committees across all companies in which you are a director.
- ✓ Such other actions as laid down in the various statutes.

9. Remuneration:

- ✓ You shall be entitled to sitting fees for meetings of the Board as well as profit related commission, if declared by the Board; subject to shareholders' approval.
- ✓ Further, all reasonable out-of-pocket expenses necessarily incurred for attending the various meetings of the Board/Committees shall be reimbursed.

10. Evaluation:

Your evaluation shall be done by the rest of the Board of Directors which shall include –

- ✓ Your performance; and
- ✓ Fulfillment of the independence criteria as specified in these regulations and their independence from the management.

11. Disengagement:

- ✓ You may resign from the directorship of the Company by giving a notice in writing giving reasons thereof. The resignation shall take effect on the date of receipt of notice or the date specified in the notice, whichever is later.
- ✓ Your directorship on the Board of the Company shall terminate or cease on grounds as specified in the Companies Act, 2013.

We look forward to your continued guidance and support.

Thank you

By the order of Board of Directors
For Menon Pistons Limited

Name: [:]
Designation: [:]
Encl. A/a

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: [:]
Place: [:]
Date: [:]

SECTION 166 OF THE COMPANIES ACT, 2013

- (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
- (2) A director of a 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, the community and for the protection of environment.
- (3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (4) A director of a 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.
- (5) A director of a 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 any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (6) A director of a company shall not assign his office and any assignment so made shall be void.
- (7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

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. act within their 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 fulfills 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 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.

=====