

....., 2014

## **Independent Director**

Dear Sir,

### **Sub: Appointment as Non-Executive Independent Director in the Board of Sanat Products Limited (the Company)**

We are pleased to inform that the Board of Directors of **Sanat Products Limited** has appointed you as an additional director in the Independent Director category subject to approval of the shareholders in terms of provisions of the Companies Act, 2013 as per following terms and conditions:

- A) Term of Appointment** - Upto 5 (Five) consecutive year's w.e.f. 1<sup>st</sup> April, 2014.
- B) Declaration of Independence** -To satisfy all the criteria of being 'Independent' throughout the tenure on Board of the Company both as per the requirements of the Companies Act, 2013, as amended from time to time. In this regard, a declaration on an annual basis has to be submitted to the Board of the Company confirming that the requirements of Independence are being met. If at any point of time there is any change in the circumstances which may affect the status of Independent Director, the same has to be brought to the notice of the Board immediately.
- C) Expectation of the Board** - The Board expects to receive independent views and opinions in its proceedings. The Independent Director is also expected to provide his / her time, expertise and experience in carrying out effective decision making at the Board Level. The Independent Director is expected to follow Professional Conduct for Independent Directors provided under Schedule IV of the Companies Act, 2013.
- D) Induction on the Committees** -The Board constitutes various committees of the Board as per the requirements of the Companies Act, 2013 or for administrative convenience. The Independent Director may be expected to be on these Committees from time to time. The Committee(s) function in accordance with the terms of reference as approved by the Board. As per requirement, the Membership and the Terms of Reference may be changed by Board from time to time. At present the Company has the following Committees with respective Terms of Reference :

| Sr. No. | Name of the Committee  | Terms of Reference   |
|---------|------------------------|--|
| 1.      | <b>Audit Committee</b> | <ol style="list-style-type: none"> <li>1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;</li> <li>2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;</li> <li>3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;</li> <li>4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to: <ol style="list-style-type: none"> <li>a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013</li> <li>b. Changes, if any, in accounting policies and practices and reasons for the same</li> <li>c. Major accounting entries involving estimates based on the exercise of judgment by management</li> <li>d. Significant adjustments made in the financial statements arising out of audit findings</li> <li>e. Compliance with listing and other legal requirements relating to financial statements</li> <li>f. Disclosure of any related party transactions</li> <li>g. Qualifications in the draft audit report</li> </ol> </li> <li>5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;</li> <li>6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those</li> </ol> |

|  |  |  |
|--|--|--|
|  |  | <p>stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;</p> <p>7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;</p> <p>8. Approval or any subsequent modification of transactions of the Company with related parties;</p> <p>9. Scrutiny of inter-corporate loans and investments;</p> <p>10. Valuation of undertakings or assets of the Company, wherever it is necessary;</p> <p>11. Evaluation of internal financial controls and risk management systems;</p> <p>12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;</p> <p>13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;</p> <p>14. Discussion with internal auditors of any significant findings and follow up there on;</p> <p>15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;</p> <p>16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;</p> <p>17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of</p> |
|--|--|--|

|    |  |   |
|----|--|---|
|    |  | <p>non-payment of declared dividends) and creditors;</p> <p>18. To review the functioning of the Whistle Blower mechanism, if any;</p> <p>19. To approve the Related Party Transactions as per the provisions of the Companies Act, 2013;</p> <p>20. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;</p> <p>21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.</p>  |
| 2. | <b>Nomination and Remuneration Committee</b> | <p>1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;</p> <p>2. Formulation of criteria for evaluation of Independent Directors and the Board;</p> <p>3. Devising a policy on Board diversity;</p> <p>4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The Company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.</p> |

### E) Duties and Liabilities

The duties and liabilities would be as per the Companies Act, 2013 read with the applicable Rules and other applicable Laws and regulations, which at present are as follows:

#### 1. Duties of the Director -

- a) Duty of care to exercise appropriate diligence and make informed decisions.
- b) Duty of loyalty to act in good faith and honesty.

- c) To act 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.
- d) To exercise duties with due and reasonable care, skill and diligence and shall exercise independent judgment at all times.
- e) Not to be involved in a situation which may have a direct or indirect conflict of interest, or possibly may conflict, with the interest of the Company.
- f) At all times to keep the Board abreast of the interest incurred in other Company or companies, bodies corporate, firms or other association of individuals. The interest may either be by way of directorship/ shareholding/ any other way.

## **2. Liabilities of the Director -**

- a) Ensure the confidentiality of the proceedings of the Board and the Committees.
- b) Not to disclose any confidential, price sensitive information of the Company to anybody. You shall at all times maintain the confidentiality of the price sensitive information when in possession.

**F) Code of Business Ethics** -The Company has in place a Code of Conduct to be observed by the Company's Board of Directors and Senior Management Personnel. The principles prescribed in this Code lays down broad standards of compliance and ethics. The purpose of this code is to enhance ethical and transparent process in managing the affairs of the Company.

### **G) 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.

### **H) 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 Companies Act, 2013.

(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 (180) 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.

All the terms and conditions as mentioned including your appointment, remuneration, professional code of conduct, roles, functions, duties and obligations shall be subject to the requirements as specified under the provisions of the Companies Act, 2013 read with the Rules made there under (including any statutory modification(s) re reenactment thereof for the time being in force).

**Yours Sincerely,  
For and on behalf of the Board of  
Sanat Products Limited**

(\_\_\_\_\_)  
**Chairman**

**Encls:** As above