

TERMS & CONDITIONS FOR APPOINTMENT OF INDEPENDENT DIRECTOR

The Part-time (Non-Official) Directors / Independent Directors on their appointment on Board of Ircon shall be abide by the following terms and conditions:

1. Appointment

- a. The appointment of Independent Director shall be for such period and as per such terms & conditions as mentioned in their respective Order issued by the Railway Board, Ministry of Railways for their appointment as Part-time Non-Official Director / Independent Director.
- b. The appointment of Independent Director is subject to the approval of the Shareholders.
- c. The term Independent Director should be constructed as defined under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, and DPE Guidelines as amended from time to time.
- d. The Independent Directors may be inducted on the various Committees of the Board or any other Committee(s) as may be constituted from time to time by the Board of Directors / CMD to look after the functions as per the provisions of the Companies Act, 2013 and other statutory provisions or any other specific purpose.

2. Role, Functions and Duties

Independent Directors shall be required to undertake and discharge role, functions and duties in accordance with Section 166 and the Code of Independent Directors as prescribed under Schedule IV of the Companies Act, 2013 **(copy enclosed at Appendix-1)**.

3. Remuneration and Reimbursement of Expenses

- a. Independent Directors will be paid remuneration by way of sitting fees of Rs. 40,000/- for attending every meeting of the Board of Directors (or any adjourned thereof to the next day of thereafter) and Rs. 30,000/- for attending every meeting of the Committees constituted by the Board.
- b. In addition to the Sitting Fees as mentioned above, they will be entitled for travelling, hotel, and other expenses properly incurred by them:
 - i. In attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the Company; or
 - ii. To visit any site/ project of the Company in connection with business of the Company.

4. Induction

Independent Directors will be invited to participate in training and familiarization programs, including briefing from management and site visits as planned by the Company which will enable you to take informed decisions during the discharge of your duties.

5. Disclosure of Interest and declaration of independence

Independent Director shall disclose the nature of his interest as director, member, partnership in other companies, firms, body corporate etc. and also give a declaration of independence that he meets the criteria of independence as per Section 149 (6) of the Companies Act, 2013 at their first meeting of the Board held after their appointment and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances.

6. Termination

- a. Independent Director may resign from the Directorship position at any time by serving a written notice to the Ministry of Railways and / or the Board of Directors of Ircon mentioning the reasons for resignation.
- b. The tenure of appointment of Independent Director is subject to any further order of the Ministry of Railways.

7. Confidentiality

- a. All information in relation to the Company acquired during the appointment and tenure by an independent director is to be treated as confidential and should not be disclosed to third parties without the prior permission of the Chairman & Managing Director, Ircon unless required by law.
- b. As a director, Independent Directors are subject to and bound by the prohibition and restrictions against insider trading and disclosure of unpublished price sensitive information, as prescribed under the Act and the regulations issued by Securities and Exchange Board of India ("SEBI"). They would have to strictly abide by the Internal Code of Conduct for Prevention of Insider Trading in dealing with Securities of Ircon International Limited pursuant to Regulation 9(1) of SEBI (Prohibition of Insider Trading) Regulations, 2015 (as amended or replaced from time to time).

8. Liability

Subject to applicable law, for any breach of duties, Independent Directors will be liable to consequences prescribed under applicable law and in relation to the Company, they would be liable for such acts of omission or commission by the Company which had occurred with your knowledge, attributable through Board processes, and with your consent or connivance, or where you have not acted diligently.

9. Insurance

The Company has obtained Directors and Officers Insurance Liability Policy.

10. Miscellaneous

- a. The appointment of Independent Directors is subject to the maximum permissible limit of directorships of the Board, membership / chairmanship of the committees that one can hold as per the provisions of the Companies Act, 2013, SEBI (LODR) Regulations and other applicable laws.

- b. The Independent Directors will not be an employee of the Company and the appointment letter / letter of appointment issued to them as per provisions of Section 149 of the Companies Act, 2013 shall not constitute a contract of employment.

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) act 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 :



Notified Date of Section: 01/04/2014

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 ² [["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.

⁴[["Note: The provisions of sub-paragraph \(2\) and \(7\) of paragraph II, paragraph IV, paragraph V, clauses \(a\) and \(b\) of sub-paragraph \(3\) of paragraph VII and paragraph VIII shall not apply in the case of a Government company as defined under clause \(45\) of \[section 2\]\(#\) of the Companies Act, 2013 \(18 of 2013\), if the requirements in respect of matters specified in these paragraphs are specified by the concerned Ministries or Departments of the Central Government or as the case may be, the State Government and such requirements are complied with by the Government companies."](#)]

Note :

1. [Special Measures under Companies Act, 2013 \(CA-2013\) and Limited Liability Partnership Act, 2008 in view of COVID-19 outbreak](#)

Amendment

^{1.} Substituted by Notification Dated 5th July, 2017.

In Schedule IV (i) in paragraph III, in sub-para (12), for the words “acting within his authority”, the words “act within their authority” shall be substituted;

^{2.} Substituted by Notification Dated 5th July, 2017.

In paragraph VI, sub-para (2), for the words “ a period of not more than one hundred and eighty days”, the words “three months” shall be substituted;

^{3.} Substituted by Notification Dated 5th July, 2017.

In paragraph VII, in sub-para (1), for the words “in a year”, the words “in a financial year” shall be substituted;

^{4.} Inserted by Notification Dated 5th July, 2017.