

[On the letterhead of the Company]

[Date]

To

[Name of the Director]

[Address of the Director]

Dear Sir/Madam,

Sub: **Your appointment as an Independent Director of the Company**

We are pleased to inform you that the Board of Directors of the Company have approved your appointment as an Independent Director (Additional Director) of the Company w.e.f. *[Effective Date of appointment]* for a term of ____ years. As per the provisions of the Companies Act 2013, your appointment shall be approved by the shareholders at the ensuing General Meeting.

The terms of appointment as set out in this letter, are subject to the extant provisions of the (i) the Companies Act 2013 (ii) Insurance Act, IRDAI Guidelines and other applicable laws, and (iii) the Articles of Association of the Company.

1) Term

- a) Your appointment will be for a period of ____ years *[Number of years for which director is appointed]* for a term commencing from ____ until ____ *[Term of appointment]* which will be subject to approval of the shareholders of the Company in the upcoming General meeting.
- b) You are also nominated as a Chairperson/member of the following Committees of the Board -
 - *Insert Name of the Committee(s) and Designation(s) in the Committee(s) in which the incumbent director is proposed to be appointed as Member/Chairperson.*

The Board, at its discretion, may reconstitute the above Committees and, also consider your nomination in other Committees.

2) Roles and Responsibility of the Board of Directors

As a member of the Board of Directors, you will assist in achieving the following objectives of the Company -

- a) The Board should ensure that the governance principles set for the Company comply with all the relevant laws, regulations and other applicable codes of conduct.
- b) The Board should set the following policies in consultation with the Management of the Company.
 - i. Define and periodically review the business strategy.
 - ii. Define the underwriting policy of the Company as an insurer.
 - iii. Determine the retention and reinsurance policy and in particular, the levels of retentions of risk by the Company and the nature and extent of reinsurance protection to be maintained by the Company.
 - iv. Define the policy of the Company as regards investment of its assets consistent with an appropriate asset liability management structure.
 - v. Define the Company's policy on appointments and qualification requirements for human resources and ensure that the incentive structure does not encourage imprudent behaviour.

- c) The Board should define and set the following standards:
 - i. Define the standards of business conduct and ethical behaviour for directors and senior management.
 - ii. Define the standards to be maintained in policyholder servicing and in redressal of grievances of policyholders.
- d) The Board would be responsible to provide guidance for implementation of business strategy and reviewing the same periodically.
- e) As an integral part of proper implementation of the business strategy, the Board should take action as under:
 - i. Establish appropriate systems to regulate the risk appetite and risk profile of the Company. It will also enable identification and measurement of significant risks to which the Company is exposed in order to develop an effective risk management system.
 - ii. Ensure that all directions of IRDAI are submitted to the Board and the recommendations are implemented as per the Board philosophy.
 - iii. Ensure that the IT systems in the company are appropriate and have built-in checks and balances to produce data with integrity and put in place a business continuity and disaster recovery plan.
 - iv. Ensure that the Company has put in place a robust compliance system for all applicable laws and regulations.
 - v. Prescribe requirements and frequency of reporting in respect of each of the above areas of responsibility as may be decided by the Board.
- f) In discharge of the above and other Governance functions, the Board may delegate the responsibilities to mandated/ other recommended Empowered Committees of Directors while retaining its primary accountability.

3) Duties of a Director

A director of the Company shall act in accordance with the articles and policies of the company, further duties of a Director shall *inter alia* include the following:

- i. A director 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.
- ii. A director shall exercise his/her duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- iii. A director shall not involve in a situation in which he/she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.
- iv. A director 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.
- v. A director shall not assign his/her office and any assignment so made shall be void.

In terms of provision of Section 166 of the Companies Act, 2013, if a director of a company contravenes the provisions of aforesaid duties such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

4) Insurance

The Company provides all its Directors with, and pays the premium for Directors and Officers Liability Insurance cover, while acting in their capacity as Directors.

5) Remuneration

As an Independent Director, you will be paid sitting fees for attending the meetings of the Board and the Committee, of which you are or may become a member.

The sitting fees payable for attending each of the meeting is as follows:-

Board Meeting – Rs. _____/-

Committee Meeting - Rs. _____/-

You will be entitled to incurring/reimbursement of expenses incurred by you in connection with attending the Board and Committee meetings, General meetings and in relation to the business of the Company towards hotel accommodation, traveling and other out of pocket expenses.

6) Code of Conduct

You shall abide by the Code for conduct for the Directors, as also outlined in Schedule IV of the Companies Act 2013. Schedule IV inter alia covers the guidelines of professional conduct, roles, functions, duties etc., of the Independent Directors. For your reference, extract of schedule IV is attached as **Annexure 1**.

7) Performance Appraisal / Evaluation Process

As a member of the Board, the performance of all the Directors and the performance of the Board will be evaluated annually. The criterion for evaluation shall be laid down by the Nomination & Remuneration Committee, which shall be a constructive mechanism to improve the effectiveness of the Board and its constituted Committees. An indicative list of factors that may be evaluated as part of this exercise are –

- participation and contribution by a director
- Commitment (including guidance provided to senior management)
- effective deployment of knowledge and expertise
- effective management of relationship with stakeholders
- integrity and maintenance of confidentiality
- impact and influence

8) Disclosures, other Directorships and business interests

You will notify the company of any change in your directorships, and provide such other disclosure and information as may be required under applicable laws. You also agree that upon becoming aware of any potential conflict of interest with your position as an Independent Director of the Company, you shall promptly disclose the same to the Board.

You will also promptly notify the Company Secretary of any change in address, contact and other personal details provided to the Company.

9) Confidentiality

You shall keep all the information acquired during your term as an Independent Director as confidential and shall not disclose any confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information etc. at any time to any third party except as permitted by law.

We are confident that the Board and the Company will benefit immensely from your rich experience and we look forward to your guidance for the growth of the Company. We request you to kindly confirm your acceptance by signing and returning a copy of this letter.

We thank you for your continued support and commitment to the Company.

Yours sincerely

[Name of the Signatory]
[Designation of the Signatory]

Agreed and accepted

[Name of the Appointee Director]