



CODE FOR INDEPENDENT DIRECTORS

Preface

Section 149 of the Companies Act, 2013 requires every listed company and its Independent Directors to abide by the provisions specified in Schedule IV of the Companies Act, 2013.

In compliance with the provisions of Section 149 read with Schedule IV of the Companies Act, 2013, IndoStar Capital Finance Limited (“the Company”) hereby adopts this Code for Independent Directors, as prescribed in Schedule IV of the Companies Act, 2013 in order to guide the professional conduct of its Independent Directors.

Adherence to these standards by Independent Directors of the Company 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.

Definitions

- a. “**Act**” means the Companies Act, 2013 and rules made thereunder (as amended);
- b. “**Board**” means the Board of Director of the Company for the time being in force;
- c. “**Committee**” means “Compensation and Nomination Committee” of the Board of the Company, as may be re-constituted by the Board and as may subsist from time to time;
- d. “**Director**” means person appointed as Director on the Board of the Company pursuant to the applicable provision of the Act;
- e. “**Executive Director**” means person appointed as Whole-Time Director, Executive Director or Managing Director, and holding office as such pursuant to the applicable provision of the Act;
- f. “**Employees**” means and includes person who is confirmed for full time employment of the Company time to time and are on the payroll of the Company;
- g. “**Independent Director**” means Directors as defined in section 149 of the Act;
- h. “**ICF**” or “**Company**” means IndoStar Capital Finance Limited;
- i. “**Key Managerial Personnel**” or “**KMP**” means persons as defined in the Act and as appointed in the employment of the Company;
- j. “**Performance Evaluation**” means an annual evaluation of performance of the Directors carried out in

accordance with the Board Performance Evaluation Policy of the Company;

- k. **“Senior Management”** or **“Management”** means personnel in employment of the Company who are members of core management team excluding Directors comprising all members of management one level below the executive directors, including the KMP, Functional Head and Business Unit Heads;
- l. **“Vigil Mechanism”** means the Board approved Whistle Blower Policy / Vigil Mechanism of the Company

I. Guidelines of Professional Conduct:

The Independent Director(s) of the Company shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise their responsibilities in a bona fide manner in the interest of the Company;
- (4) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate their 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 their 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 independence;
- (8) where circumstances arise which make an Independent Director lose independence, the Independent Director must immediately inform the Board accordingly;
- (9) assist the Company in implementing best corporate governance practices.

II. Role and Functions:

The Independent Director(s) of the Company 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 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 recommending the 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 Director(s) of the Company 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 they are a member;
- (4) participate constructively and actively in 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 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 behavior, actual or suspected fraud or violation of the Company's

Code of Conduct for Directors and Employees;

- (12) acting 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:

The following process shall be followed for appointment of any new Independent Director on the Board of the Company:

- (1) Appointment of an Independent Director shall be approved by the Compensation and Nomination Committee and the Committee shall recommend the same to the Board for its consideration and approval. The 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) Subsequent to approval of the Committee and the Board, the appointment of the Independent Director shall be approved at the meeting of the shareholders of the Company.
- (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 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 Independent Director, the Boardlevel Committee(s) in which the Independent 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 Independent Directors and employees to follow;
 - f) the list of actions that an Independent Director should not do while functioning as such in the

Company;

- g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Board 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 the Independent Directors shall also be posted on the Company's website.

V. Re-appointment:

The re-appointment of an Independent Director shall be on the basis of report of performance evaluation and due process as required under Law and this Code.

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. However, 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 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) At their separate meeting, the Independent Directors 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.

This code is being adopted by the Board of Directors on 5 March 2015, and shall come into force with immediate effect.