

....., 2015

Independent Director

Dear Sir,

**Sub: Appointment as Non-Executive Independent Director on the Board.**

We are pleased to inform that the Board of Directors of TFCI 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 3 (Three) consecutive years w.e.f. ...., 2015.
- 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 and as per the Listing Agreement (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. (Schedule IV of the Companies Act, 2013 is enclosed as Annexure – A)
- d) **Induction on the Committees** –The Board constitutes various committees of the Board as per the requirements of the Companies Act, Listing Agreement 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.

	<b>Name of the Committee</b>	<b>Terms of Reference</b>
1	Audit Committee	<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 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;</li> <li>7. Review and monitor the auditor's independence and</li> </ol>

		<p>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 non-payment of declared dividends) and creditors;</p> <p>18. To review the functioning of the Whistle Blower mechanism;</p> <p>19. 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>20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.</p>
2	Executive Committee	1. To sanction financial assistance of all the cases within RBI exposure limits.

		<p>2. To review the affairs of assisted concerns and/or approve change of controlling interest / one time settlement / conversion of loans into equity/ rehabilitation package to all concerns with outstanding principal amount and to approve consequential waiver of dues.</p> <p>3. To consider all other MIS/Periodical reports by the management in which no policy issues are involved.</p>
3	Nomination and Remuneration Committee	<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>
4	Stakeholders Relationship Committee	<p>1. Consider and resolve the grievances of security holders of the Company, and</p> <p>2. Redressal of shareholder and investors complaints.</p>
5	Corporate Social Responsibility Committee	<p>1. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;</p> <p>2. recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and</p> <p>3. monitor the Corporate Social Responsibility Policy of the company from time to time</p>
6	Risk Management Committee	<p>1. Approval of Risk Management Policy</p> <p>2. To implement and monitor the risk management plan and policy of the Company.</p>
7	Wilful Defaulter Review Committee	To identifying and classifying the borrower as non-cooperative/wilful defaulter

## e) **Duties and Liabilities**

The duties and liabilities would be as per the Companies Act, 2013 read with the applicable Rules, Listing Agreement 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 enter into 'Insider Trading of securities'. The Company has in place a 'Code of Conduct for prevention of Insider Trading in Securities of the Company which inter-alia requires that price-sensitive information is not used or transmitted and maintained securely. You shall at all times maintain the confidentiality of the price sensitive information when in possession. The Code of Conduct shall be given separately.
- c) No forward dealings in securities of the Company and/ or associate company.

**F) Directors and Officers (D&O) Insurance**—The Company has taken a D&O Insurance Policy renewable annually. The Policy covers all the Directors and officers of the Company.

**G) Code of Business Ethics**—The Company has in place a Code of Conduct to be observed by TFCI's Board of Directors and Senior Management Personnel and is placed on the website of the Company. The Code of Conduct shall be provided separately. 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.

I) **Remuneration**– The remuneration of the Independent Directors shall be governed by the provisions of the Companies Act, 2013 as amended from time to time. Sitting fees is paid as approved by the Board of Directors from time to time. At present, the sitting fees for Board and Committee(s) of the Board is Rs.20,000/-and Rs.10,000 (plus service taxes) per meeting respectively.

J) **Reimbursement of Expenses** - The Company bears the expenses of travel, stay and conveyance in relation to attending the meetings of the Board and Committee(s) thereof, by the Independent Directors.

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 thereunder (including any statutory modification(s) re re-enactment thereof for the time being in force) and as per the requirements of the Corporate Governance requirements of the Listing Agreement as amended from time to time.

Yours sincerely,

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**Managing Director**

Encls: As above