



**TERMS AND CONDITION OF  
APPOINTMENT OF  
INDEPENDENT DIRECTOR**

**KNOWLEDGE MARINE &  
ENGINEERING WORKS LIMITED**



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## **1. Preamble**

The terms and conditions of appointment of Independent Directors of Knowledge Marine & Engineering Works Limited (“**the Company**” or “**KMEW**”) are subject to the applicable provisions of the Companies Act, 2013 (the “**Act**”) and rules made thereunder [including statutory modification(s), re-enactment(s) thereof for the time being in force] and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**Listing Regulation**”), and the Articles of Association of the Company.

The major terms and conditions of appointment of the Independent Directors are as follows

## **2. Tenure of Appointment of Independent Directors**

- (a) Appointment of the Independent Director is valid for a term of maximum 5 years from the date of appointment (“**Term**”) but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment shall be made in the Board's report.
- (b) Independent Directors are not liable to retire by rotation.
- (c) Re-appointment at the end of the Term shall be based on the recommendation of the Nomination and Remuneration Committee and subject to the approval of the Board of Directors (the “Board”) and the Shareholders. The re-appointment would be considered by the Board based on the outcome of the performance evaluation process and satisfaction of independence criteria.
- (d) The code for Independent Directors will be as per Schedule IV read with Section 149 of the Act.
- (e) The Independent Director is an independent non-executive director and will be identified as such in the annual report and other documentation of the Company. If circumstances change, and he/she believes that his/her independence will be in doubt, Independent Director should discuss the same with the Chairman of the Company as soon as practicable.

## **3. Committees of the Board**

Independent Directors may be appointed as member/chairman of one or more existing or committees of the Board or any such Committees set up in future.

## **4. Time Commitment**

- (a) Independent Directors are expected to bring objectivity and independence to the Board and help to provide the Board with effective leadership in relation to the Company's strategy, performance and risk management as well as ensuring high standards of financial probity and corporate governance.
- (b) Independent Directors are expected to attend the meetings of the Board, Board committees and shareholders meetings of the Company.

Independent Directors to devote such time as is prudent and necessary for the proper performance of their roles, duties and responsibilities as an independent director.

## **5. Professional Conduct for Independent Directors**

An Independent Director shall:

- uphold ethical standards of integrity and probity;
- act objectively and constructively while exercising your duties;
- exercise responsibilities in a bona fide manner in the interest of the Company;
- devote sufficient time and attention to your professional obligations for informed and balanced decision-making;
- not allow any extraneous considerations that may vitiate exercise of objective independent judgement in the paramount interest of the Company as a whole, while concurring in or dissenting from the collective judgement of the Board in its decision-making;
- not abuse 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;
- refrain from any action that could lead to a loss of independence;
- ensure that if circumstances arise under which may lose the independence, Independent Director will immediately inform the Board accordingly;
- assist the Company in implementing the best corporate governance practices.

## **6. Role, functions and duties**

The role, functions and duties will be those normally required of a Non-Executive Independent Director under the applicable laws. There are certain duties prescribed for all Directors, both Executive and Non-Executive, which are fiduciary in nature, including but not limited as specified hereunder:

- i. Shall act in accordance with the memorandum of association and articles of association of the Company;
- ii. 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 interest of the Company, its employees, the shareholders, the community and the protection of the environment;
- iii. Shall discharge the duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
- iv. Shall not involve in a situation in which they may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company;
- v. Shall not achieve or attempt to achieve any undue gain or advantage directly or to relatives, partners or associates;
- vi. Shall not assign the office as Director and any assignments so made shall be void;
- vii. Shall abide by the Code of Conduct for Directors and Senior Management of the Company which includes the Code for Independent Directors' as outlined in Schedule IV of the Companies Act, 2013;
- viii. Shall 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;
- ix. Shall bring an objective view in the evaluation of the performance of board and management;

- x. Shall scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- xi. Shall satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- xii. Shall safeguard the interests of all stakeholders, particularly the minority shareholders;
- xiii. Shall balance the conflicting interest of the stakeholders;
- xiv. Shall 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;
- xv. Shall moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
- xvi. 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;
- xvii. bring an objective view in the evaluation of the performance of the Board and the Management;
- xviii. Shall abide by Code of Conduct for Prevention of Insider Trading of the Company;
- xix. Shall be collectively responsible along with other directors for meeting the objectives of the Board which include:
  - Requirements under the Act and rules thereunder;
  - Responsibilities of the Board as outlined in Regulation 16(1)(b) of Listing Regulation, as may be applicable;
  - Accountability under the Directors' Responsibility Statement;
  - Overseeing the Company's contribution to enhancing the quality of life of communities.

## **7. Conflict of Interest**

It is accepted and acknowledged that Independent Directors may have business interests other than those of the Company. Independent Directors are required to declare any such directorships, appointments and interests to the Board in the prescribed form at the time of their appointment.

## **8. Fees**

Independent Directors shall be entitled to:

- (a) Sitting fees for attending the meetings of the Board and its committees, as may be decided by the Board of the Company from time to time;
- (b) Commission (unless waived in writing) as the Board of Directors may determine from time to time. The commission will be divided amongst the directors in such proportion as may be determined by the Board from time to time and upon a failure of such determination, equally, however, such commission shall not exceed 1% of the net profits of the Company in any financial year, as computed in the manner laid down in Section 198 of the Companies Act, 2013, or any statutory modification(s) or re-enactment thereof.; and
- (c) Reimbursement of travel, hotel and other incidental expenses incurred by the Independent Directors in the performance of their role and duties. This could include reimbursement of expenditure incurred for attending Board and its committee meetings, annual general

meetings, extraordinary general meetings, Court convened Meetings, other Meetings of the shareholders/creditors/management, site visits, induction and training (organized by the Company for directors) and in obtaining, subject to the prior consultation of the Board, professional advice from the independent advisors in furtherance of the duties as Independent Director.

## **9. Restrictions**

During the term of appointment, an Independent Director shall not serve as

- (a) an independent director in more than the prescribed number of companies and
- (b) a committee member of more than the prescribed number of committees including chairmanship of such committees.

During the term of appointment,

- (a) Independent Director will neither enter into any agreement for himself/herself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the shares of the Company; and
- (b) Independent Director will not enter into any such agreement referred to in (a) above without obtaining the prior approval from the Board as well as public shareholders of the Company.

## **10. Training and Development:**

- (a) The Independent Director will be invited to attend ongoing training and familiarization sessions for directors including site visits.
- (b) The Board members are provided with necessary documents / brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices.
- (c) Periodic presentations are made at the Board and Committee meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.
- (d) Updates on relevant statutory changes and landmark judicial pronouncements encompassing important laws are regularly circulated to Directors.

## **11. Stock Option**

Independent Director is not eligible to participate in stock options schemes of the Company.

## **12. Evaluation**

The Board had established a 'Board Performance Evaluation Mechanism'. The performance of the Directors, Chairperson and the Board as a whole shall be evaluated at least once in a year. The evaluation process will be used constructively as a mechanism to improve board effectiveness, maximize strength and tackle weakness. Appointment and re-appointment of a director on the Board shall be subject to the outcome of the yearly evaluation process.

**13. Insurance**

The Company has a Directors' and Officers' Liability Insurance policies in place under which all directors of the Company are covered and has paid premium for the same. The Company shall continue to maintain such insurance cover during the term of the appointment of the Independent Directors.

**14. Disclosures, other directorships and business interests**

Independent directors are required to promptly provide /notify the following to the Company: -

- (a) disclosures, declarations, and information as may be required under applicable laws including a declaration under Section 149 (7) of the Companies Act, 2013 and Regulation 16(1)(b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time;
- (b) any changes in the directorships or any change in circumstances that may affect the status as an Independent Director;
- (c) upon becoming aware of any potential conflict of interest with their position as Independent Directors of the Company, promptly disclose the same to the Board.
- (d) any changes in address or other contact and personal details; and
- (e) disclosures, documents, information and certificates as may be required for the proposed IPO of the Company.

**15. Confidentiality**

- (a) All information that is sent to you (except public disclosures or press releases) shall be treated as confidential and should not be disclosed or released to any third party either during your tenure or later without pre clearance in writing from the Chairman or the Company Secretary, unless required by law or by the rules of any stock exchange or regulatory body, which shall be intimated forthwith upon disclosure. We also expect even if disclosed with appropriate consent, that such third party be bound by the same terms of confidentiality.
- (b) In the course of your duties, you will be privy to price sensitive information and data, forecasts and plans. We draw your attention to the guidelines on insider trading, disclosure and prohibition of forward-looking statements. It is prudent for you to avoid making any statement or disclosing information in breach of the guidelines, regulations and code of conduct and we suggest you to consult the Company Secretary if you require any clarification. Company's Code on prevention of Insider Trading has been separately provided to you and any clarification therefrom may be obtained from the Corporate Secretarial Function of the Company

**16. Governing Law**

The Appointment and the terms are governed by the laws of India.

**17. Authority**

The letter of appointment will be issued under the authority of the Board.

**18. Termination**

The directorship on the Board of the Company shall terminate or cease in accordance with law. Apart from the grounds of termination as specified in the Companies Act, 2013 and the Articles of Association, the directorship may be terminated for violation of any of the provisions of Code of Conduct for Directors and Senior Management of the Company.

**Independent Director may resign from the directorship of the Company by giving the notice in writing to the Company stating the reasons for resignation. The resignation shall take effect from the date on which the notice is received by the Company or the date specified in the notice, whichever is later.**

**19. Annual Declaration**

The Independent Directors shall give an annual declaration which include intimation to Company of any potential conflict of interest with their position as Independent Directors of the Company, as required under the provision of section 149(7) of the Companies Act, 2013 and the rules made thereunder.

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