

Draft Appointment letter of Independent Director

Name : _____

Address : [•]

[•]

Dated: __, XX, 20XX

Dear _____,

Sub.: Appointment as an Independent Director of Sterling Tools Limited (the “Company”)

We are pleased to inform you that the shareholders of the Company vide their General Meeting held on [•] have passed the resolution for your appointment as an Independent Director of the Company w. e. f. [•] to [•] pursuant to the provisions of the Companies Act, 2013.

As per the requirement of the Act, the above is being formalized through this letter of appointment.

This letter sets out the terms of your appointment as an Independent Directors of the Company:

1. Appointment

- 1.1 Your appointment as a Non-Executive Independent Director on the Board of Directors of the Company is subject to the provisions of the Companies Act, 2013.
- 1.2 The term Independent Director should be construed as defined under the Companies Act, 2013 and the listing agreement.
- 1.3 In terms of the provisions of Section 149(13) of the Companies Act, 2013, your directorship is not subject to retirement by rotation.
- 1.4 The Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the Listing Agreement. Accordingly, the Independent Directors will serve for not more than two terms of five years each on the Board of the Company. The Company is at liberty to disengage Non Executive Independent Director earlier subject to compliance of relevant provisions of Companies Act, 2013.

2. Time Commitment

- 2.1 As a Non-Executive Director you are expected to bring objectivity and independence of view to the Board’s discussions and to help 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. The Board meets atleast four times in a year. The Audit Committee also meets atleast four times in a year. Besides, there are other Committee meetings like Nomination and Remuneration Committee, Stakeholders’ Relationship Committee and Corporate Social Responsibility Committee meetings which are ordinarily convened as per the requirements. You will be expected to attend meetings of the Board, Board Committees to which you may be appointed and Shareholders meetings and to devote such time to your duties, as appropriate for you to discharge your duties effectively. Ordinarily, all meetings are held in Faridabad/Delhi.
- 2.2 By accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations from your role to the satisfaction of the Board.

3. Role and Duties

Your role and duties will be those normally required of a Non-Executive Independent Director under the Companies Act, 2013 and the listing agreement. There are certain duties prescribed for all Directors, both Executive and Non-Executive, which are fiduciary in nature and are as under:

- I. You shall act in accordance with the Company's Articles of Association.
- II. You 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.
- III. You shall discharge your duties with due and reasonable care, skill and diligence.
- IV. You shall not involve yourself in a situation in which you may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company. Please refer to clause 7 for full explanation on conflict of interest.
- V. You shall not achieve or attempt to achieve any undue gain or advantage either to yourself or to your relatives, partners or associates.
- VI. You shall not assign your office as Director and any assignments so made shall be void.

In addition to the above requirements applicable to all Directors, the role of the Non-Executive Director has the following key elements:

Strategy: Non-Executive Directors should constructively challenge and help develop proposals on strategy;

Performance: Non-Executive Directors should scrutinise the performance of management in meeting agreed goals and objectives;

Risk: Non-Executive Directors should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;

People: Non-Executive Directors are responsible for determining appropriate levels of remuneration of Executive Directors and have a prime role in appointing, and where necessary, removing Executive Directors and in succession planning;

Reporting: Non-Executive Directors take responsibility for the processes for accurately reporting on performance and the financial position of Company and

Compliance: Non-Executive Directors should keep governance and compliance with the applicable legislation and regulations under review and the conformity of Company practices to accepted norms.

4. Status of Appointment

- 4.1 You will not be an employee of the Company and this letter shall not constitute a contract of employment. You will be paid such remuneration by way of sitting fees for meetings of the Board and its Committees as may be decided by the Board and approved by the Shareholders from time to time.
- 4.2 The sitting fees presently paid to the Non-Executive Independent Director is Rs. [•] per meeting of the Board or a Committee thereof.

5. Reimbursement of Expenses

In addition to the remuneration described in paragraph 5 the Company will, for the period of your appointment, reimburse you for travel, hotel and other incidental expenses incurred by you in the performance of your role and duties.

6. Conflict of Interest

6.1 It is accepted and acknowledged that you may have business interests other than those of the Company. As a condition to your appointment commencing, you are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form at the time of your appointment.

6.2 In the event that your circumstances seem likely to change and might give rise to a conflict of interest or, when applicable, circumstances that might lead the Board to revise its judgement that you are independent, this should be disclosed to both the Chairman and the Secretary.

7. Confidentiality

All information acquired during your appointment is confidential to Company and should not be released, either during your appointment or following termination (by whatever means) to third parties without prior clearance from the Chairman unless required by law or by the rules of any stock exchange or regulatory body. On reasonable request, you shall surrender any documents and other materials made available to you by Company.

Your attention is also drawn to the requirements under the applicable regulations and the Company' Insider Trading Code which concern the disclosure of price sensitive information and dealing in the securities of Company. Consequently you should avoid making any statements or performing any transactions that might risk a breach of these requirements without prior clearance from the Chairman or the Secretary.

8. Evaluation

The Company will carry out an evaluation of the performance of the Board as a whole, Board Committees and Directors on an annual basis. Your appointment and re appointment on the Board shall subject to the outcome of the yearly evaluation process.

9. Independent Professional Advice

There may be occasions when you consider that you need professional advice in furtherance of your duties as a Director and it will be appropriate for you to consult independent advisers at the Company's expense. The Company will reimburse the full cost of expenditure incurred in accordance with the Company's policy.

10. Disclosure of Interest

The Company must include in its Annual Accounts a note of any material interest that a Director may have in any transaction or arrangement that the Company has entered into. Such interest should be disclosed no later than when the transaction or arrangement comes up at a Board meeting so that the minutes may record your interest appropriately and our records are updated. A general notice that you are interested in any contracts with a particular person, firm or company is acceptable.

11. Termination

- a. You may resign from your position at any time and should you wish to do so, you are requested to serve a reasonable written notice on the Board.
- b. Continuation of your appointment is contingent on your getting re-elected by the shareholders in accordance with provisions of Companies Act, 2013 and the Articles of Association of the Company, from time to time in force. You will not be entitled to compensation if the shareholders do not re-elect you at any time.
- c. Your appointment may also be terminated in accordance with the provisions of the Articles of Association of the Company from time to time in force.

12. Publication of the letter of Appointment

In line with the provisions of Clause IV of sub clause 6 of Schedule IV, the Company will make public the terms and conditions of your appointment and will also arrange for it to be displayed on the Company's website.

13. Governing Law

This Appointment Letter is governed by and will be interpreted in accordance with Indian law and your engagement shall be subject to the exclusive jurisdiction of courts of Delhi.

If you are willing to accept these terms of appointment relating to your appointment as a non executive Independent Director of STL, kindly confirm your acceptance of these terms by signing and returning to us the duplicate copy of this letter.

Yours sincerely

Chairman
For and on behalf of Sterling Tools Limited

I hereby acknowledge receipt of and accept the terms set out in this letter.

Signed

Name: [•]

Dated

ANNEXURE-A

Terms of Reference to Audit Committee:

Audit Committee shall act in accordance with the terms of reference specified in writing by the Board, which shall include the following:

- i. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- ii. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii. Examination of the financial statement and the auditors' report thereon;
- iv. Approval or any subsequent modification of transactions of the company with related parties;
- v. Scrutiny of Inter-Corporate Loans and Investment;
- vi. Valuation of undertaking or assets of the company, wherever it is necessary;
- vii. Evaluation of internal financial controls and risk management systems;
- viii. Monitoring the end use of funds raised through public offers and related matters;
- ix. Calling comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and Discussing any related issues with the internal and statutory auditors and the management of the company;
- x. Investigation into any matter in relation to the items specified above or referred to it by the Board and for this purpose committee shall have power to obtain professional advice from external source;
- xi. Committee shall have access to information contained in the records of the Company.

ANNEXURE-B

Terms of Reference to Nomination & Remuneration Committee:

(a) Authority:

1. The Committee is authorised by the Board to:
 - a. investigate and undertake any activity within its terms of reference; and
 - b. seek any information it properly requires from any employee of the Company in order to perform its duties and all employees are directed by the Board to co-operate with any request made by the Committee.
2. If the Committee considers it necessary to do so, it is authorised to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend at meetings of the Committee. The cost of obtaining any advice or services shall be paid by the Company within the limits as authorised by the Board.

(b) Duties:

The duties of the Committee in relation to its nominations function shall be:

- a. to be responsible for identifying and nominating, for the approval of the Board and ultimately the shareholders, candidates to fill Board vacancies as and when they arise as well as putting in place plans for succession, in particular with respect to the Chairman of the Board and the Chief Executive Officer;
- b. to review regularly the Board structure, size, composition and make recommendations to the Board of adjustments that are deemed necessary, in order to ensure an adequate size and a well-balanced composition of the Board and further ensure that a majority of the Board is independent, and to make determinations regarding independence of members of the Board;
- c. to consider succession and emergency planning, taking into account the challenges and opportunities facing the Company and the skills and expertise therefore needed on the Board, reporting to the Board regularly;
- d. to keep under review the leadership needs of the organisation, both executive and non executive, with a view to ensuring the continued ability of the Company to compete effectively in the market place;
- e. annual performance evaluation of the Chairman, Managing Director and Whole time director in their respective offices and all directors with respect to their roles as directors;
- f. to ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- g. to recommend to the Board whether to reappoint a director at the end of their term of office.
- h. to make recommendations to the Board concerning any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the company subject to the provision of the law and their service contract;

- i. to identify and recommend directors who are to be put forward for retirement by rotation;
- j. before appointment is made by the Board, to evaluate the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment.

In identifying suitable candidates the Committee may:

- (i) use open advertising or the services of external advisers to facilitate the search;
 - (ii) consider candidates from a wide range of backgrounds; and
 - (iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- k. to ensure the development of guidelines for selecting candidates for election or re-election to the Board, or to fill vacancies on the Board;
 - l. to delegate any of its powers to one or more of its members or the secretary of the Committee;
 - m. to consider any other matters as may be requested by the Board; and
 - n. to make available its terms of reference and review annually those terms of reference and its own effectiveness and recommend any necessary changes to the Board.

(c) Duties-Remuneration

The duties of the Committee in relation to its remuneration function shall be:

- a. to consider and determine, based on their performance and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board and the Chief Executive Officer, namely,
 - (i) base salary;
 - (ii) bonuses and performance-related payments (including profit-sharing schemes);
 - (iii) discretionary payments;
 - (iv) benefits in kind; and
 - (v) share options and their equivalents
- b. to approve the remuneration of other members of the senior management of the Company.
- c. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and considering any other connection that they may have with the Company.
- d. in relation to the above, the Committee shall at all times give due regard to published or other available information relating to pay, bonuses and other benefits of executives in companies which are comparable to the Company;
- e. to delegate any of its powers to one or more of its members or the secretary of the Committee;
- f. to consider any other matters as may be requested by the Board; and
- g. to make available its terms of reference and review annually those terms of reference and its own effectiveness and recommend any necessary changes to the Board.

ANNEXURE-C

Terms of Reference to Stakeholders Relationship Committee:

The Committee looks into the redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend / notice / Annual Reports, etc.

ANNEXURE-D

Terms of Reference to Corporate Social Responsibility Committee:

The Committee would perform the following functions:

- a) Formulate and recommend to the Board, a CSR policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Ct, 2013.
- b) Recommending the amount of expenditure to be incurred on the activities referred to in clause (a)
- c) Monitoring the CSR Policy of the Company from time to time.
- d) Instituting a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company and
- e) Doing such other acts, deeds, things and matters are necessary or expedients in complying with the provisions of section 135 Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014