



मनोहर बलवानी
मुख्य महाप्रबंधक एवं कम्पनी सचिव
MANOHAR BALWANI
CGM & Company Secretary

पावर फाइनेंस कार्पोरेशन लिमिटेड
POWER FINANCE CORPORATION LTD.
(भारत सरकार का उपक्रम) (A Govt. of India Undertaking)

No.:1:05:2:(2):I
Dated: 23.12.2021

Smt. Usha Sajeev Nair
Independent Director, PFC
Flat No 103, Building/P,
Phase-V, Pramukh Vihar,
Naroliroad, Ultan Falia,
Silvassa, Dadra and Nagar
Haveli and Daman and Diu, 396230

Sub: Letter of appointment as an Independent Director of Power Finance Corporation Limited

Madam,

We extend a hearty welcome to you on your appointment on the Board of Power Finance Corporation Limited (PFC) as Non-Official Independent Director with effect from December 23, 2021 in pursuance of Article 86 of the Articles of Association of PFC.

This letter of appointment sets out terms and conditions covering your appointment in accordance with the provisions of the Companies Act, 2013. Your appointment is subject to the approval of shareholders.

1. Appointment:

1.1 Your appointment as Non-Official Independent Director on the Board of PFC is in terms of letter F.No.8/1/2012-PFC Desk (Vol-II) dated 15th November, 2021 of Ministry of Power.

The term Independent Director should be construed as defined under the Companies Act, 2013 and SEBI Listing Regulations, DPE guidelines on Corporate Governance as amended time to time.

1.2. The Board has also constituted Board Level Committees as required under statutory regulations & guidelines and to facilitate the smooth & efficient flow of decision making process. You may be inducted to serve as Chairperson/Member on any of the said Committees or any of other Committee(s) as may be constituted by the Board of Directors from time to time. Your appointment on such Committee(s) will be subject to applicable law.

2. Functions, Responsibility and Duties

2.1. Your role, functions and duties will be those as are required of an Independent Director under applicable provisions of the Companies Act, 2013 and the rules made there under and the Listing Agreement/ SEBI Listing Regulations as amended from time to time. For your ready reference a copy of Code for Independent Directors issued under Section 149(8) read with Schedule IV of the Companies Act is enclosed as **Annexure A**.

Further in terms of Section 166 of the Companies Act, 2013, you shall:
i. act in accordance with the Company's Articles of Association.

- ii. 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 for the protection of environment.
- iii. exercise your duties with due and reasonable care, skill and diligence.
- iv. 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.
- v. not achieve or attempt to achieve any undue gain or advantage either to yourself or to your relatives, partners or associates.
- vi. not assign your office as Director and any assignments so made shall be void.

3. Remuneration and Reimbursement of Expenses

- 3.1. You will be paid such remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board from time to time in compliance with applicable law.
- 3.2. The sitting fees presently paid to the Independent Directors is ₹40,000/- per meeting of the Board and ₹30,000/- per meeting of the Committee thereof.
- 3.3. In addition to payment of sitting fee, you will be eligible for boarding, lodging and travelling expenses for attending the Board and Committee meetings at the same rates as are applicable to Whole-Time Directors of the Company as per the existing provisions applicable to them.

4. Conflict of Interest:

- 4.1. It is accepted and acknowledged that you may have business interests other than those of the Company. As a condition precedent to commencement of your appointment, you have declared to the Company such directorships, appointments and interests to the Board. Thereafter, you are required to declare to the Company whenever there is any change in the circumstances which may affect your status as an Independent Director.
- 4.2. At the first meeting of the Board in which you participate as an Independent Director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances, which may affect your status as an Independent Director, you are required to give a declaration that you meet the criteria of independence.

5. Termination:

- 5.1. 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 to the Ministry of Power and on the Board stating out the reason for resignation.
- 5.2. Continuation of your appointment is contingent on your willingness to continue as an Independent Director, and you getting re-appointed by the shareholders in accordance with applicable law.

6. Confidentiality:

- 6.1. All information in relation to the Company acquired during your appointment and tenure as an Independent Director is confidential and should not be disclosed to third parties unless required by law.



- 6.2 As a Director, you are subject to and bound by the prohibition and restrictions against insider trading and disclosure of unpublished price sensitive information, as prescribed under the Act and the regulations issued by the Securities and Exchange Board of India ("SEBI"). You would have to strictly abide by the Internal Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information and Conduct for regulating, monitoring & reporting of trading in the securities of Power Finance Corporation Limited pursuant to SEBI (Prohibition of Insider Trading) Regulations (as amended or replaced from time to time).

7. Liability:

- 7.1 Subject to applicable law, for any breach of your duties you will be liable to consequences prescribed under applicable law and in relation to the Company, you would be liable for such acts of omission or commission by the Company which had occurred with your knowledge, attributable through Board processes, and with your consent or connivance, or where you have not acted diligently.

8. Miscellaneous:

- 8.1. Your appointment is also subject to the maximum permissible directorships that one can hold under applicable law, including as per the provisions of the Act and the Listing Regulations.
- 8.2. You will not be an employee of the Company and this letter shall not constitute a contract of employment.
- 8.3 You shall not serve as an Independent Director in more than seven listed entities: Provided that if you are serving as a Whole-Time director in any listed entity, you shall serve as an Independent Director in not more than three listed entities.
- 8.4 You shall not act as a Member in more than ten committees or act as Chairperson of more than five committees across all entities in which you are a Director which shall be determined as follows:
- (a) the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded;
 - (b) for the purpose of determination of limit, chairpersonship and membership of the Audit Committee and the Stakeholders' Relationship Committee alone shall be considered.

Yours faithfully
For Power Finance Corporation Limited



(Manohar Balwani)
CGM & Company Secretary

Encl: As above



Notified Date of Section: 01/04/2014

Schedule IV

[See section 149(8)]

Code for Independent Directors

The Code is a guide to professional conduct for independent Directors. Adherence to these standards by independent Directors and fulfilment 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.

I. Guidelines of professional conduct:

An independent director shall:

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

II. Role and functions:

The independent Directors 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 the 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 recommend 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 Directors 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 he is a member;
- (4) participate constructively and actively in the 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 to 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 behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

(12) ¹ ["acting within his 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:

(1) 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) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.

(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 fulfils 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 director; the Board-level committee(s) in which the 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 Directors and employees to follow;

(f) the list of actions that a director should not do while functioning as such in the company; and

(g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards 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 independent Directors shall also be posted on the company's website.

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

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 ² ["three months"] from the date of such resignation or removal, as the case may be..

(3) Where the company fulfils 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 ³ ["in a financial 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) The meeting 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.

⁴["Note: The provisions of sub-paragraph (2) and (7) of paragraph II, paragraph IV, paragraph V, clauses (a) and (b) of sub-paragraph (3) of paragraph VII and paragraph VIII shall not apply in the case of a Government company as defined under clause (45) of section 2 of the Companies Act, 2013 (18 of 2013), if the requirements in respect of matters specified in these paragraphs are specified by the concerned Ministries or Departments of the Central Government or as the case may be, the State Government and such requirements are complied with by the Government companies."]

Note :

1. Special Measures under Companies Act, 2013 (CA-2013) and Limited Liability Partnership Act, 2008 in view of COVID-19 outbreak.

Amendment

¹ Substituted by Notification Dated 5th July, 2017.

In Schedule IV (i) in paragraph III, in sub-para (12), for the words "acting within his authority", the words "act within their authority" shall be substituted;

² Substituted by Notification Dated 5th July, 2017.

In paragraph VI, sub-para (2), for the words " a period of not more than one hundred and eighty days", the words "three months" shall be substituted;

³ Substituted by Notification Dated 5th July, 2017.

In paragraph VII, in sub-para (1), for the words "in a year", the words "in a financial year" shall be substituted;

⁴ Inserted by Notification Dated 5th July, 2017.