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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 5 (Five) consecutive years w.e.f -----.
- 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 SEBI (LODR) Regulations (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 time, expertise and experience in carrying out effective decision making at the Board Level. The Independent Director is expected to follow Professional Code of Conduct as provided under the provisions of the Companies Act, 2013.
- d) **Induction on the Committees** –The Board constitutes various committees of the Board as per the requirements of the Companies Act, SEBI (LODR) Regulations 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>                                                                                                                                                                                                                                                                     |
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| 1 | Audit Committee              | 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;<br>2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company; |

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|  |  | <p>3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;</p> <p>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:</p> <ul 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. Modified opinion(s) in the draft audit report</li> </ul> <p>5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;</p> <p>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 issue or rights issue or preferential issue or qualified institutions placement and making appropriate recommendations to the Board to take up steps in this matter;</p> <p>7. Review and monitor the auditor's independence and 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</p> |
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|   |                                       | <p>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> <p>21. reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.</p> <p>22. consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the company and its shareholders.</p> |
| 2 | Executive Committee                   | <p>1. To sanction financial assistance of all the cases within RBI exposure limits.</p> <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. For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

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|   |                                                 | <p>capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:</p> <ol style="list-style-type: none"> <li>use the services of an external agencies, if required;</li> <li>consider candidates from a wide range of backgrounds, having due regard to diversity; and</li> <li>consider the time commitments of the candidates.</li> </ol> <ol style="list-style-type: none"> <li>Formulation of criteria for evaluation of Independent Directors and the Board;</li> <li>Devising a policy on Board diversity;</li> <li>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 of directors their appointment and removal.</li> <li>whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.</li> <li>recommend to the board, all remuneration, in whatever form, payable to senior management.</li> </ol> |
| 4 | Stakeholders Relationship Committee             | <ol style="list-style-type: none"> <li>Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.</li> <li>Review of measures taken for effective exercise of voting rights by shareholders.</li> <li>Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar &amp; Share Transfer Agent.</li> <li>Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                            |
| 5 | Corporate Social Responsibility (CSR) Committee | <ol style="list-style-type: none"> <li>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;</li> <li>recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and</li> <li>monitor the CSR Policy of the company from time to time.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 6 | Risk Management Committee                       | <ol style="list-style-type: none"> <li>To formulate a detailed risk management policy which shall include: <ol style="list-style-type: none"> <li>A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.</li> </ol> </li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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|   |                                                           | <p>(b) Measures for risk mitigation including systems and processes for internal control of identified risks.</p> <p>(c) Business continuity plan.</p> <p>2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;</p> <p>3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;</p> <p>4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;</p> <p>5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;</p> <p>6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.</p> |
| 7 | Non-Cooperative/<br>Willful Defaulter<br>Review Committee | To identifying and classifying the borrower as non-cooperative/wilful defaulter.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 8 | IT Committee                                              | <p>1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;</p> <p>2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;</p> <p>3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;</p> <p>4. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;</p> <p>5. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.</p>                                                                                                                                                                                                      |
| 9 | Outsourcing Strategy<br>Committee                         | <p>1. approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements.</p> <p>2. laying down appropriate approval authorities for outsourcing depending on risks and materiality.</p> <p>3. setting up suitable administrative framework of senior management for the purpose of these directions.</p> <p>4. undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness and</p> <p>5. deciding on business activities of a material nature to be outsourced, and approving such arrangements.</p>                                                                                                                                                                                                                                                                                          |

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| 10 | Committee of Director<br>(Estate Matters) | To review the matters regarding assets/properties owned/held by TFCI. |
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#### e) **Duties and Liabilities**

The duties and liabilities would be as per the Companies Act, 2013 read with the applicable Rules, SEBI (LODR) Regulations 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. Further, code of conduct and Insider Trading policy of TFCI are also attached for your kind reference & compliances for trading in the shares/securities of TFCI as per SEBI (PIT) Regulations and applicable laws.
- 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 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.75,000/-and Rs.50,000 (plus GST) 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 SEBI (LODR) Regulation as amended from time to time.

Yours sincerely,

( )  
**Managing Director**

Encl: As above