

# **AVENUE SUPERMARTS LIMITED**

## **TERMS AND CONDITIONS OF APPOINTMENT OF INDEPENDENT DIRECTORS**

1. The appointment of Independent Director shall be for a period of 5(Five) consecutive years, subject to applicable Corporate Laws as amended from time to time.
2. Independent Director shall not be subject to retire by rotation as per the provisions of sub-section (6) of Section 152 of the Act.

Re-appointment of Independent Director at the end of the Term shall be based on the recommendation of the Nomination and Remuneration Committee of the Board and subject to the approval of the Board and the Shareholders of the Company. Independent Director's re-appointment would be considered by the Board based on the outcome of the performance evaluation process and subject to condition that that they continue to meet the criteria of Independence.

3. During their tenure as an Independent Director, they will have to attend all the meetings of the Board of Directors and of the Committees thereof in which the Board may from time to time induct them. Copies of the terms of reference for each of those meetings would be provided to them at the appropriate time, if not already provided for.
4. Independent Director shall abide by the Code for Independent Directors as prescribed in Schedule IV of the Companies Act, 2013 and as amended from time to time.
5. Appointment of Independent Director by the Board is based, inter alia, on declaration made by them that they comply with the conditions of independence as stipulated in Section 149(6) of the Act, read with relevant rules, as amended from time to time and Regulation 16(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. If there is any change in circumstances affecting their independence, they are required to immediately intimate the Board of Directors regarding the same.
6. The Company expects from each Independent Director a commitment of sufficient time and attention as necessary in order to perform their duties, including the attendance at regular and emergency Board and Committee meetings, any Separate Meeting of Independent Director(s) and Annual General Meeting(s)/ Extra-Ordinary General Meetings (EGM) etc.

### **ROLE, DUTIES & RESPONSIBILITIES:**

1. Independent Director is expected to bring objectivity and independence of view to the Board's discussions and to help provide the Board with effective inputs in relation to the Company's strategy, performance and risk management as well as ensuring high standards of financial probity and corporate governance.

As a Non-Executive Independent Director, they have the same general legal responsibilities to the Company as any other Director, except that they shall be held liable only in respect of such acts of omission or commission by a company which had occurred with their knowledge, attributable through board processes and with their consent or connivance or where they had not acted diligently.

2. Independent Director(s) will adhere to the duties of directors, which are provided under applicable law, including the Act in conformity with Section 149(8) read with Schedule IV of the Act, relevant provisions of the Companies Act, 2013, Including in relation to attendance of meetings, in relation to his/her directorship and the business of the Company, maintenance of confidentiality, safeguarding the interests of the stakeholders, bringing objective judgments, asking clarifications, etc.

#### **REMUNERATION AND EXPENSES:**

1. An Independent Directors of the Company will be entitled to receive remuneration by way of sitting fees for attending meetings of Board and Committees as maybe decided by the Board from time to time in compliance with the law.
2. In addition to the sitting fees, profit related commission as may be recommended by Nomination and Remuneration Committee constituted under Section 178(1) of the Companies Act, 2013 and as approved by the Board of Directors of the Company may be payable to them.
3. The fees and commissions will be subject to deduction of tax at source and/ or applicable tax, at the rates and in the manner prescribed under the relevant laws. The tax deduction certificate for the tax deducted will be provided to them in accordance with the provisions of the Income Tax, Act, 1961.
4. In addition to the sitting fees, the Company will reimburse to Independent Director(s) all reasonable and properly documented expenses as may be incurred in performing their role as an Independent Director including return cost of air/car travel charges etc., as may be incurred for attending the meeting(s) of the Board of Directors or Committees thereof.
5. During the Appointment as Independent Director(s), circumstances may arise in the furtherance of their duties as a Director when it will be appropriate for them to seek advice from independent advisors at the Company's expense. The Company will reimburse the full cost of such expenditure(s) incurred, as may be deemed appropriate.
6. Independent Director(s) will have no entitlement to any bonus during the Appointment and no entitlement to participate in any share scheme and no stock options will be issued to them by the Company.

### **OTHER DIRECTORSHIPS AND BUSINESS INTERESTS:**

1. The Company acknowledges that Independent Director(s) may have business interest other than those of the Company. They need to disclose any such potential conflicts of interest to the Chairman and Company Secretary of the Company as soon as it becomes apparent to them.
2. During the Appointment, Independent Director(s) may please inform the Company prior to accepting any other (or further) directorships of publicly quoted companies or any major external appointments so as to avoid any conflict of interest with their current position in the Company.

### **CODE OF CONDUCT & OTHER COMPLIANCES:**

1. During the Appointment, Independent Director(s) will comply with the Code for Independent Directors, as prescribed in Schedule IV of the Companies Act, 2013, and such other requirements as may be applicable for Independent Directors.
2. At the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect their status as an Independent Director, they shall give a declaration to that effect confirming that they meet the criteria of independence as provided in Section 149(6) of Companies Act, 2013, read with relevant rules, as amended from time to time and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

### **CONFIDENTIALITY:**

1. Independent Director(s) must apply the highest standards of confidentiality and shall not disclose to any person or company (whether during the course of the Appointment or at any time after its termination) any confidential information concerning the Company and any Group Companies with which they come into contact by virtue of their position as a Non-Executive Independent Director of the Company.
2. On termination of the Appointment, they will deliver to the Company all information, document, papers and other property of or relating to the business of the Company which are in their possession, custody or power by virtue of their position as a Non-Executive Independent Director of the Company.

### **PERFORMANCE REVIEW PROCESS:**

The performance of individual Directors and the whole Board and its Committees shall be evaluated by the Nomination & Remuneration Committee. If, in the interim, there are any matters arising in connection with their role as a Non-Executive Independent Director which cause them concern, they may discuss with the Company as soon as appropriate.

**PUBLICATION OF THE LETTER OF APPOINTMENT:**

Subject to the provisions of the Companies Act, 2013 disclosures of this Terms and Conditions of Appointment of Independent Directors will be made on the website of the Company.

## **CODE OF CONDUCT:**

### **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 fulfillment 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 Boards' 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. scrutinize 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 shareholders 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. 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 the Board, the independent director proposed to be appointed fulfills 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 three months from the date of such resignation or removal, as the case may be.
3. Where the company fulfills 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 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.

### **RELEVANT PROVISIONS OF COMPANIES ACT, 2013**

#### **Section 2 (60): Definition**

“officer who is in default”, for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:-

- (i) whole-time director;
- (ii) key managerial personnel;
- (iii) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;



- (iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorizes, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;
- (v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;
- (vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;
- (vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer.

**Section 134 (5): Financial statement, Boards Report, etc.**

The Directors Responsibility Statement referred to in clause (c) of sub-section (3) shall state that:-

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the director, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

*Explanation*—For the purposes of this clause, the term “internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **Section 149 (6): Company to have Board of Directors**

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

- (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;  
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- (c) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (d) none of whose relatives—
  - (i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:  
Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;
  - (ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
  - (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;  
or
  - (iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);
- (e) who, neither himself nor any of his relatives—
  - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.

- (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
    - (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
    - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;
  - (iii) holds together with his relatives two per cent. or more of the total voting power of the company; or
  - (iv) is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that hold two per cent or more of the total voting power of the company; or
- (f) who possesses such other qualifications as may be prescribed.

#### **Section 149 (8): Company to have Board of Directors**

The company and independent directors shall abide by the provisions specified in Schedule IV.

#### **Section 149 (12): Company to have Board of Directors**

Notwithstanding anything contained in this Act:

- (i) an independent director;
- (ii) a non-executive director not being promoter or key managerial personnel, shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

#### **Section 166: Duties of Directors**

- (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
- (2) A director of a company 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 interests of the company, its employees, the shareholders, the community and for the protection of environment.
- (3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

- (4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- (5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (6) A director of a company shall not assign his office and any assignment so made shall be void.
- (7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

**Section 188 (5): Related Party Transactions**

Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall-

- (i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and
- (ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.