

**HDFC ERGO GENERAL INSURANCE COMPANY LIMITED**



**LETTER OF APPOINTMENT FOR INDEPENDENT DIRECTORS**

Date

**Name of Director**

Address

Dear \_\_\_\_\_,

**Sub: Appointment as an Independent Director of HDFC ERGO General Insurance Company Limited (HDFC ERGO)**

**Ref: The Companies Act 2013 (“the Act”)**

We are pleased to inform you that the Shareholders of the Company at the \_\_\_\_\_ Annual General Meeting (AGM) held on \_\_\_\_\_ approved your appointment as an Independent Director of the Company.

Your appointment as an Independent Director is in accordance with the provisions of Sections 149 and 152 read with sub – clause 4 of Schedule IV of the Act.

In addition, your appointment is subject to the provisions of Articles of Association of the Company and the Guidelines on Corporate Governance issued by IRDA.

The terms and conditions of your appointment and role and responsibilities are outlined in the enclosed Annexure.

Please confirm your agreement to the above by signing and returning the enclosed duplicate of this letter.

**With kind regards,  
For HDFC ERGO General Insurance Company Limited**

**Chairman**

I have read and agree to the above terms.

Sign : \_\_\_\_\_

**Name of Director**

Designation: Independent Director

DIN: \_\_\_\_\_

Place: \_\_\_\_\_

Date: \_\_\_\_\_

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**Annexure**

**Terms and conditions of appointment of (Name of Director)  
as an Independent Director**

**I. Appointment**

- The appointment is for a period of five consecutive years effective from the conclusion of twelfth Annual General Meeting (AGM) until the conclusion of seventeenth AGM for the financial years \_\_\_\_\_ to \_\_\_\_\_, unless otherwise terminated earlier by and at the discretion of either party at any time upon giving a notice in writing to HDFC ERGO.
- The Director shall not be liable to retire by rotation.
- The Director shall serve on committees of the Board as may be decided by the Board of Directors, from time to time.

**II. Time commitment**

- Expected to attend regular and emergency Board Meetings of the Company and Committees thereof.
- Must endeavor to allocate sufficient time to meet the expectations of being an Independent Director.

**III. Role and Duties**

- As set out in the 'Code for Independent Directors' prescribed under Schedule IV to the Companies Act, 2013, a declaration in respect of adherence to the said Code shall be provided on an annual basis. A copy of Code of Conduct for Independent Directors is enclosed herewith.
- The Director shall enter into a deed of covenant with the Company as mandated under the Guidelines on Corporate Governance for insurance companies issued by IRDA.
- The Director shall be bound by the provisions of the Code of Ethics/ Conduct, HDFC ERGO Employees Share Dealing Code and such other Codes/ Policies as may be framed by the Company, to the extent applicable.

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- The Companies Act, 2013 provides that a director is under the following principal duties:

### **The Director shall:**

- Act in accordance with the Articles of Association of the Company;
- Act in good faith in order to promote the objects of the Company for the benefits of its members as a whole, and in the best interest of the Company, its policyholders, employees, shareholders, community and for the protection of the environment;
- Exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment at the Board and Committee Meetings.

### **The Director shall not:**

- Get involved in a situation or circumstances which may have a direct or indirect interest that conflicts, or may have a potential conflict, with the interest of the Company;
- Achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates;
- Assign his office. Any assignment so made shall be void.

## **IV. Remuneration and Reimbursement of Expenses**

- In accordance with the provisions of Section 197 of the Companies Act, 2013 and rules made there under, the Director shall be entitled to an annual commission based on the performance of the Company, as approved by the Board of Directors, within the limits approved by the Shareholders. In addition to the above, the Director shall be paid sitting fees of ₹ 20,000 and ₹ 10,000 (or such higher amount as approved by the Board of Directors) for attending each meeting of the Board and Committees, respectively.
- In addition to the remuneration structure described above, the Company will reimburse the Director all reasonable out of pocket expenses necessarily incurred in carrying out duties towards the Company.
- In accordance with the provisions of the Companies Act, 2013, the Director is not entitled to any stock options.

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### V. Insurance

- The Company has taken Directors' and Officers' (D&O) liability insurance and it is intended to maintain such cover for the full term of Director's appointment.

### VI. Confidentiality

- The Director is expected to apply the highest standards of confidentiality and not disclose to any person or company (whether during the course of appointment or any time after its termination) any confidential information concerning the Company and/ or its Group Companies with which the Director may come into possession by virtue of his position.
- The Director shall adhere provisions contained in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and as amended from time to time with regard to prohibition of disclosure of price-sensitive information.

Note: Group Company shall mean the Company and its holding company and fellow subsidiaries and associates.

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**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.

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## **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;

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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 of the Board, the independent director

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- 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 a period

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of not more than one hundred and eighty days 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 in a 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 the 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.

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