

## LETTER OF APPOINTMENT FOR INDEPENDENT DIRECTOR

**Dated : 01<sup>st</sup> April 2015**

**Mr.V.Sakthivel,**  
Chartered Accountant,  
186C, Lakshmi Road,  
**SALEM – 636 004**

Dear Mr.V.Sakthivel,

We are pleased to inform you that the Shareholders of the Company at the Extra-Ordinary General Meeting held on 30<sup>th</sup> March, 2015 confirmed your appointment as Independent Director of the Company pursuant to the provision stated under the Companies Act, 2013 (“Act”).

As per the requirements 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 Director. The terms of your appointment, as set out in this letter, are subject to the extent provisions of the applicable laws, including the Act and Clause 49 of the Standard Listing Agreement, as amended from time to time (Listing Agreement).

### **A. Appointment**

1. You will be appointed as a Non-Executive Independent Director on the Board of Directors of the company w.e.f. 30<sup>th</sup> March, 2015 for a period of five years.
2. Your appointment is also subject to the maximum permissible Directorships that one can hold as per the provisions of the Companies Act, 2013 & Listing Provisions.
3. During your tenure as an Independent Director, you will have to submit a declaration at the beginning of every Financial Year under Section 149 (7) of the Act stating that you meet the criteria of Independence.
4. So long as you are an Independent Director of the Company, you will ensure that you do not get disqualified to act as a Director pursuant to the provisions of Section 164 of the Act.

5. In compliance with provisions of section 149(13) of the Act, your directorship is not subject to retirement by rotation.

## **B. Time Commitment**

As a Non-Executive Independent 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 generally meets four times in a year. The Audit Committee generally meets at least four times in a year. Besides, there are other Committee meetings like Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholder Relationship Committee etc. meetings of which are ordinarily convened as per requirements. You will be expected to attend Board and 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 Avinashi.

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.

## **C. Committees of the Board**

You may be appointed / nominated by the Board in its Committees as may be required from time to time.

## **D. Role, Duties and Responsibilities**

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

1. You shall act in accordance with the Company's Articles of Association as may be amended from time to time.
2. 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.
3. You shall discharge your duties with due and reasonable care, skill and diligence.
4. 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.
5. You shall not achieve or attempt to achieve any undue gain or advantage either to yourself or to your relatives, partners or associates.
6. You shall not assign your office as Director and any assignments so made shall be void.

There are certain roles, functions, duties prescribed for all independent directors, which are listed in the 'Code for Independent Directors' as outlined in Schedule IV to the Companies Act, 2013. You shall abide by the said 'Code for Independent Directors' as amended from time to time to the extent relevant and applicable to your role. The same is annexed to this letter of appointment as Annexure-I.

## **E. Status of Appointment and Remuneration**

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. Further, you will also be paid remuneration by way of commission as may be approved by the Board and the Shareholders from time to time, if required.

The sitting fees presently paid to the Non-Executive Directors is Rs.10,000/- per meeting of the Board or a Committee thereof.

You will have no entitlement to any bonus during the appointment and no entitlement to participate in any employee stock option scheme operated by the Company or any Group Company.

#### **F. Reimbursement of Expenses**

In addition to the remuneration described above, 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.

#### **H. Conflict of Interest**

It is accepted and acknowledged that you may have business interests other than those of the Company. As a condition to your appointment, 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.

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 judgment that you are independent, this should be disclosed to both the Chairman and the Company Secretary.

#### **H. Performance appraisal / Evaluation Process**

Your performance, as a member of the Board, shall be evaluated annually. Evaluation may be done by all the Other Directors. The criteria for evaluation shall be determined by the Nomination & Remuneration Committee. However, the actual evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board/ Committee.

#### **I. Code of Conduct**

During the appointment you are required to comply with regulations as contained in Schedule IV and under Companies Act, 2013 including the Code of Conduct.

#### **J. Confidentiality**

You must apply the highest standards of confidentiality and not disclose to any person or company (whether during the course of the Appointment or Two years after your termination), any confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unless such disclosure is expressly approved by the Board or required by law concerning the Company and any Subsidiary/Associate/Joint Venture Companies with which you come into contact by virtue of your position as a Non-Executive Independent Director.

#### **K. Insurance**

The Company proposes to take Directors' and Officers' liability insurance and it is intended that the

Company will assume and maintain such cover for the full term of your appointment.

#### **L. Disclosure of Interest**

Any material interest that a Director may have in any transaction or arrangement that the Company has entered into 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 contract with a particular person, firm or company is acceptable.

#### **M. Publication of the Letter of Appointment**

In line with provision of Clause IV sub clause 6 of Schedule IV, under Companies Act, 2013, 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.

#### **N. Termination / Resignation**

You may resign from the Directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation. The resignation shall take effect from the date on which the notice is received by the Company or the date, if any, specified by you in the notice, whichever is later. In terms of provisions of the Companies Act, 2013, you are required to file a copy of your resignation letter with the Registrar of Companies.

If, at any stage during the Term, there is a change that may affect your status as an Independent Director as envisaged in Section 149(6) of the Act, or if applicable, you fail to meet the criteria for "independence" under the provisions of Clause 49 of the Listing Agreement or under the Companies Act, 2013, you agree to promptly submit your resignation to the Company with effect from the date of such change.

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.

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.

#### **O. Acceptance of Appointment**

If these terms of appointment are acceptable to you, please confirm your agreement to the above by signing and returning the enclosed copy of this letter.

Yours sincerely,  
For S.P.Apparels Limited

Mr.P.Sundararajan  
Chairman and Managing Director

**AGREE AND ACCEPT**

I have read and understood the terms of my appointment as an Independent Director of the Company and I hereby affirm my acceptance to the same.

Name :

Place :

Date :

## Schedule IV of the Companies Act, 2013

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### 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) 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 a period 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 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.