

Date: [•]

To,

Name of the Director

Address:

**Subject: Appointment as Non-Executive Independent Director of Five-Star Business Finance Limited**

Dear [•],

We are pleased to inform you that, Shareholders at their meeting held on ..... have approved your appointment as Non-Executive Independent Director of Five-Star Business Finance Limited (“the Company”) effective from [•] pursuant to the provisions of the Companies Act, 2013 and the Rules there under (“the Act”).

### **1. Appointment and Term**

Your appointment as Non-Executive Independent Director of the Company is for a term of ..... consecutive years, commencing ..... and ending on ..... Your appointment shall be in accordance with Section 149 and Schedule IV of the Companies Act, 2013, the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”), and other applicable laws and regulations. You will not be liable to retire by rotation under Section 152 of the Companies Act, 2013. We will intimate to you once the approval is in place.

### **2. Code for Independent Directors**

As an Independent Director, your role includes providing independent judgment on corporate affairs; advising on strategy, risk, compliance, and governance; monitoring the performance of management; participating actively in Board and Committee meetings; and acting in the best interests of the Company and its stakeholders. Your duties as Independent Director and expectation from the Board shall be in accordance with Schedule IV of the Companies Act 2013, is enclosed herewith as **Annexure I**.

### **3. Board Committees**

You may be appointed as a member or Chairperson of such Board Committees, including the Audit Committee, Nomination & Remuneration Committee, CSR Committee, Risk Management Committee, and Stakeholders Relationship Committee or such other Board Committees, as the Board may deem fit, in consultation with you.

### **4. Remuneration and Expenses**

#### **Sitting Fees:**

Subject to the limits provided under the laws/regulations, as an Independent Director you shall be paid a sitting fee for attending the meetings of the Board and the Committees of which you are a member, as may be decided by the Board from time to time.

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**Commission:**

In addition to the sitting fees, profits related commission may also be payable to you. In determining the amount of this commission, the Nomination and Remuneration Committee/Board of Directors may consider various factors as disclosed in the remuneration policy.

Commission shall be paid out of the net profits of the Company for each financial year subject to such limits as prescribed under the 2013 Act and other applicable laws and regulations, and as may be determined from time to time by the Board of Directors on the recommendation by the Nomination and Remuneration Committee.

**Reimbursement of expenses:**

All expenses incurred by the Independent Director for attending the meetings and events of the Company will be reimbursed as per actuals.

**5. Compliance Obligations and Confidentiality**

You shall comply with all statutory and regulatory requirements, including the SEBI LODR Regulations, 2015, the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company's Code of Conduct for Board and Senior Management Personnel, and other applicable policies. You shall maintain strict confidentiality of all Company information and shall not disclose any sensitive or unpublished information unless required by law.

- a) During your tenure as an Independent Director, you shall comply with all applicable and related provisions of the Act, SEBI Listing Regulations (including any statutory or other modification or re-enactment thereof) and any other applicable law or regulation in force.
- b) 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 to that effect confirming that you meet the criteria of Independence (as required under Section 149(6)/149(7) of the Act). Further you are required to confirm that you are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact your ability to discharge your duties with an objective independent judgement and without any external influence (as required under Regulation 25(8) of the SEBI Listing Regulations).
- c) You are requested to maintain the limits of Directorship/ Committee membership/and Chairmanship as required under Section 165 of the Act read with the applicable rules made thereunder and as per SEBI Listing Regulations. Further you shall inform the Company

about appointment/cessation of Directorship / Committee membership or change in interest in the requisite format, as prescribed under the Act

**Five-Star Business Finance Limited**

Registered Office : New No. 27, Old No. 4,<sup>2</sup>Taylor's Road, Kilpauk, Chennai - 600 010.  
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CIN : L65991TN1984PLC010844

- d) During the term of your appointment, you shall not serve as (a) an independent director in more than the prescribed number of companies and (b) a committee member of more than the prescribed number of committees including chairmanship of such committees as per the SEBI LODR Regulations and Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions.
- e) You are requested to furnish disclosure of interest to the Company as required under Section 184 and 164 (2) of the Act as well as avoid any conflicts.
- f) During your tenure with the Company in case you get disqualified as provided in Section 164 (1) of the Act, you are requested to intimate the Company.
- g) You are requested to ensure that the conditions as prescribed under Section 167 of the Act are not attracted resulting in vacation of your office.
- h) You are also requested to appear for such test and other requirements, as may be required for continuation as an Independent Director, from time to time, as required under the Companies (Appointment and Qualification of Directors) Rules, 2014 and such other applicable laws, as amended from time to time.
- i) You are required to execute the Deed of Covenants as per Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions

#### **6. Performance Evaluation**

The Nomination & Remuneration Committee shall specify the manner for effective evaluation of the Board, its committees, and individual directors. Such evaluation may be conducted by the Board, the Committee, or an independent external agency, and the implementation and compliance of the evaluation process shall be reviewed periodically.

#### **7. Insurance:**

The Company shall maintain appropriate Directors' and Officers' (D&O) liability insurance during your tenure as an Independent Director of the Company, subject to revision as approved by the Board from time to time.

#### **8. Insider Trading Code**

You shall comply with the Company's Code of Conduct for Regulating, Monitoring, and Reporting of Trading by Insiders.

#### **9. Code of Conduct**

You are required to affirm compliance with Code of Conduct for Board of Directors and Senior Management (Code of Conduct) on an annual basis.

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## **10. Familiarisation Programme**

In accordance with the Companies Act, 2013 and the SEBI LODR Regulations, the Company has established a Familiarisation Programme for Independent Directors to enable you to gain an understanding of the Company's business, industry, governance framework, and your roles, rights, and responsibilities as a director in accordance with Policy for familiarisation programmes for Independent Directors. This programme helps the director to build a good professional, purposeful rapport with the senior leadership team in addition to understanding the overall structure of the organization

## **11. Liability:**

As an Independent Director of the Company, you shall have the same responsibility as any other Director on the Board. However, you shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with your knowledge, attributable through Board processes, and with your consent or connivance or where you had not acted diligently.

## **12. Termination**

Your appointment may be terminated due to resignation (by written notice), disqualification under applicable laws, due to end of the term or as otherwise in accordance with the Companies Act, 2013 and applicable regulations.

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 2013 Act or, if you fail to meet the criteria for "independence" under the provisions of the SEBI LODR Regulations, you agree to promptly submit your resignation to the Company with effect from the date of such change.

## **13. Confidentiality**

During and after the term of your appointment, you shall maintain the confidentiality of all non-public information relating to the Company that comes to your knowledge during your role, except where disclosure is required by law or permitted by the Company.

Yours sincerely,

For **Five-Star Business Finance Limited**

Lakshmipathy Deenadayalan  
Chairman & Managing Director

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## Annexure I

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:

The 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 Director 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;

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- 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 Director 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) act within their 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.

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- 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
  - the term of appointment;
  - 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;
  - the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - 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;
  - the list of actions that a director should not do while functioning as such in the company; and
  - the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any
  - 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
  - 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 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.

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#### 4) Separate meetings

- The independent directors of the company shall hold at least one meeting <sup>3</sup>["in a financial year"], without the attendance of non-independent directors and members of management
- All the independent directors of the company shall strive to be present at such meeting
- The meeting shall
  - review the performance of non-independent directors and the Board as a whole
  - review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors
  - 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.

#### 5) Evaluation mechanism:

- The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated
- 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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