



एनएचपीसी लिमिटेड
(भारत सरकार का एक नवरात्र उद्यम)
NHPC Limited
(A Government of India Navratna Enterprise)

संदर्भ सं./ Ref no. NH/CS

दिनांक/ Date : 24.07.2026

To,

Dr. Bernadette Lyngdoh

Independent Director

Evarisa, Bishnupur Road,

Behind Railway Guest House, Shillong,

Meghalaya- 793004

Subject: Letter of appointment as Non-Executive Independent Director on the Board of NHPC Limited.

Ref: Ministry of Power, Govt. of India letter dated 16.07.2026

Madam,

We are pleased to inform you that the Board has appointed you as an Independent Director on the Board w.e.f. 24.07.2026 subject to the approval of the shareholders in the next General Meeting. Under Schedule IV read with Section 149 (8) of the Companies Act 2013, the appointment of Independent Directors is required to be formalized through a letter of appointment. This letter of appointment sets out the terms and conditions covering your appointment which are as follows:

a) Term of Appointment – For a period of 3 years w.e.f. the date of notification or until further orders, whichever is earlier in terms of Ministry of Power letter no. 2/13/2021-NHPC dated 16.07.2026, subject to approval of shareholders.

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 (as amended from time to time) and as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) (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 / her time, expertise and experience in carrying out effective decision making at the Board Level. The Independent Director is expected to follow Professional Conduct for Independent Directors provided under Schedule IV of the Companies Act, 2013.

d) Induction on the Committees – The Board constitutes various sub-committees of the Board as per the requirements of the Companies Act, LODR or for administrative convenience. The Independent Director is expected to be on these Committees from time to time, as per requirement. 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

पंजीकृत कार्यालय : एनएचपीसी ऑफिस कॉम्प्लेक्स, सेक्टर-33, फरीदाबाद – 121 003, हरियाणा (भारत)

Regd. Office: NHPC Office Complex, Sector-33, Faridabad – 121 003, Haryana (India)

CIN: L40101HR1975GOI032564 Phone No.: 0129-2275920 / 2277971

Email: maheshsharma@nhpc.nic.in Website: www.nhpcindia.com

by Board from time to time. At present, the Company has the following Committees with respective Terms of Reference.

S. No.	Name of the Committee(s)	Terms of Reference
1	Audit Committee	Annexure A
2	Stakeholders Relationship Committee	
3	Nomination & Remuneration Committee	
4	Risk Management Committee	
5	Committee of Directors on Corporate Social Responsibility and Sustainability	
6	Committee of Directors for allotment and post allotment activities of NHPC Securities	
7	Committee of Directors-Appellate Authority	
8	Committee for approval of deviations/ variations in the Contracts approved by the Board	

e) Roles, Duties and Liabilities

The Role, duties and liabilities shall be those as are required of an Independent Director under applicable provisions of the Companies Act, 2013 and the rules made there under and SEBI LODR as amended from time to time. For your ready reference, a copy of Code for Independent Directors issued under Section 149(8) read with Schedule IV of the Companies Act, 2013 is enclosed as **Annexure – B**.

I. Duties as per Section 166 of the Companies Act, 2013, Director shall:

- i. act in accordance with the Company's Articles of Association.
- ii. 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, its employees, the shareholders, the community and for the protection of environment.
- iii. exercise to get duties with due and reasonable care, skill and diligence.
- iv. not involved in a situation in which the Director may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- v. not achieve or attempt to achieve any undue gain or advantage either to themselves or to their relatives, partners or associates.
- vi. not assign his/ her office as Director and any assignments so made shall be void.

II. 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 to Regulate, Monitor and Report Trading by Designated Persons and Immediate Relatives of Designated Persons and Insiders' and 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' which inter-alia requires that price-sensitive information is not used or transmitted and is maintained securely. You shall at all times maintain the confidentiality of the price sensitive information when in possession. The Code of Conduct shall be given separately.
- c) Not to engage in forward dealings in securities of the Company, its subsidiary 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 apart from other officers of the Company.

g) Code of Business Ethics – The Company has in place a Code of Conduct to be observed by NHPC's Board of Directors and Senior Management Personnel and is placed on the website of the Company. The Code of Conduct shall be provided separately. 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.

h) Remuneration & Expenses

- I. You will be paid such remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board from time to time in compliance with applicable law.
- II. The sitting fees at present is Rs.40,000/- per meeting of the Board and Rs.40,000/- per meeting of Board level Committee or any other Committee constituted by the Board.
- III. In addition to payment of sitting fee, you will be eligible for boarding, lodging and travelling expenses for attending the Board and Committee meetings at the same rates as are applicable to whole-time Directors of the Company as per the existing provisions applicable to them.

i) Familiarisation programme for Independent Directors

In order to meet the requirements of Corporate Governance Norms, the Company is required to familiarise the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc., through various programmes. The Company would undertake / sponsor training program for Board Members. As a member of the Board/ Committee, you would endeavor to participate in such Familiarisation Programmes.

j) Confidentiality

- i. In your role as a Director you will be in possession of confidential information about the Company and its affairs. You may only use that information in the proper performance of your duties or as required by law; you must not use it to gain advantage for yourself or others, or to the detriment of the Company.
- ii. As a Director, you are subject to and bound by the prohibition and restrictions against insider trading and disclosure of unpublished price sensitive information, as prescribed under the Act and the regulations issued by the Securities and Exchange Board of India ("SEBI"). You would have to strictly abide by the 'Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons and Immediate Relatives of Designated Persons and Insiders' and 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' formulated pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015 (as amended or replaced from time to time)

k) Board Evaluation

The Company will carry out an evaluation of the performance of the Board as a whole, Board Committees and Directors on an annual basis as per "Policy on Performance Evaluation of Board, Board Level Committees and Directors of the Company".

l) Termination

- i. You may resign from your position at any time and should you wish to do so, you are requested to serve a reasonable written notice to the Ministry of Power and on the Board stating out the reason for resignation.
- ii. Continuation of your appointment is contingent on your willingness to continue as an Independent Director, and you getting re-appointed by the shareholders in accordance with applicable laws.

m) Miscellaneous:

- i. Your appointment is also subject to the maximum permissible directorships that one can hold under applicable laws, including as per the provisions of the Act and the LODR.
- ii. You will not be an employee of the Company and this letter shall not constitute a contract of employment.
- iii. You shall not serve as an Independent Director in more than seven listed entities: Provided that if you are serving as a whole time director in any listed entity, you shall serve as an Independent Director in not more than three listed entities.
The count for the number of listed entities on which a person is a director / Independent Director shall be cumulative of those whose equity shares are listed on a stock exchange and high value debt listed entities.
- iv. You shall not act as a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which you are a director which shall be determined as follows:
 - a. the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded.
 - b. for the purpose of determination of limit, Chair and membership of the Audit Committee and the Stakeholders' Relationship Committee alone shall be considered.

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 of the LODR as amended from time to time.

Thanking you,

Yours sincerely,


(Mahesh Kumar Sharma)
Director (Personnel)
DIN: 11306355

Encl: As above

TERMS OF REFERENCE
OF COMMITTEES OF
BOARD OF DIRECTORS
OF NHPC LIMITED

(i) Terms of reference of 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.
2. Recommending fixation of audit fees to the Board.
3. Approval of payment to auditors for any other services rendered by the Statutory Auditors.
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:
 - a) Matters required to be included in the Directors' Responsibility Statement to be included in the board's report;
 - b) Changes, if any, in accounting policies and practices and reasons for the same;
 - c) Major accounting entries involving estimates based on the exercise of judgment by management;
 - d) Significant adjustments made in the financial statements arising out of audit findings;
 - e) Compliance with listing and other legal requirements related to financial statements;
 - f) Disclosure of any related party transactions; and
 - g) Modified opinion(s) in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.

7. Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage, and frequency of internal audit.
8. Discussion with Internal Auditors and/or Auditors of any significant findings and follow-up thereon.
9. Reviewing the findings of any internal investigations by internal auditors/auditors/agencies into matters where there is suspected fraud or irregularity or failure of Internal Control Systems of a material nature, and reporting the matter to the Board.
10. Discussions with Statutory Auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern.
11. 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.
12. To review functioning of the Whistle Blower Mechanism.
13. To review the follow-up action on audit observations of the Comptroller & Auditor General of India (C&AG) audit.
14. To review the follow-up action taken on the recommendations of Parliament's Committee on Public Undertakings (COPU).
15. Provide an open avenue of communication between the Independent Auditors, Internal Auditor and the Board of Directors.
16. Approval or any subsequent modification of transactions of the Company with related parties.
17. Review with the Independent Auditor the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of all audit resources.
18. Consider and review the following with Independent Auditor and management:
 - a). The adequacy of internal controls, including Computerized Information System Controls and Security and

- b). Related findings and recommendations of the Independent Auditor and Internal Auditor, together with management responses.

19. Consider and review the following with management, Internal Auditor and Independent Auditor:

- a). Significant findings during the year, including the status of previous audit recommendations and
- b). Any difficulties encountered during audit work, including any restrictions on the scope of activities or access to required information.

20. Review and monitor the auditor's independence and performance and effectiveness of audit process.

21. Scrutiny of inter-corporate loans and investments.

22. Valuation of undertakings or assets of the Company, wherever it is necessary.

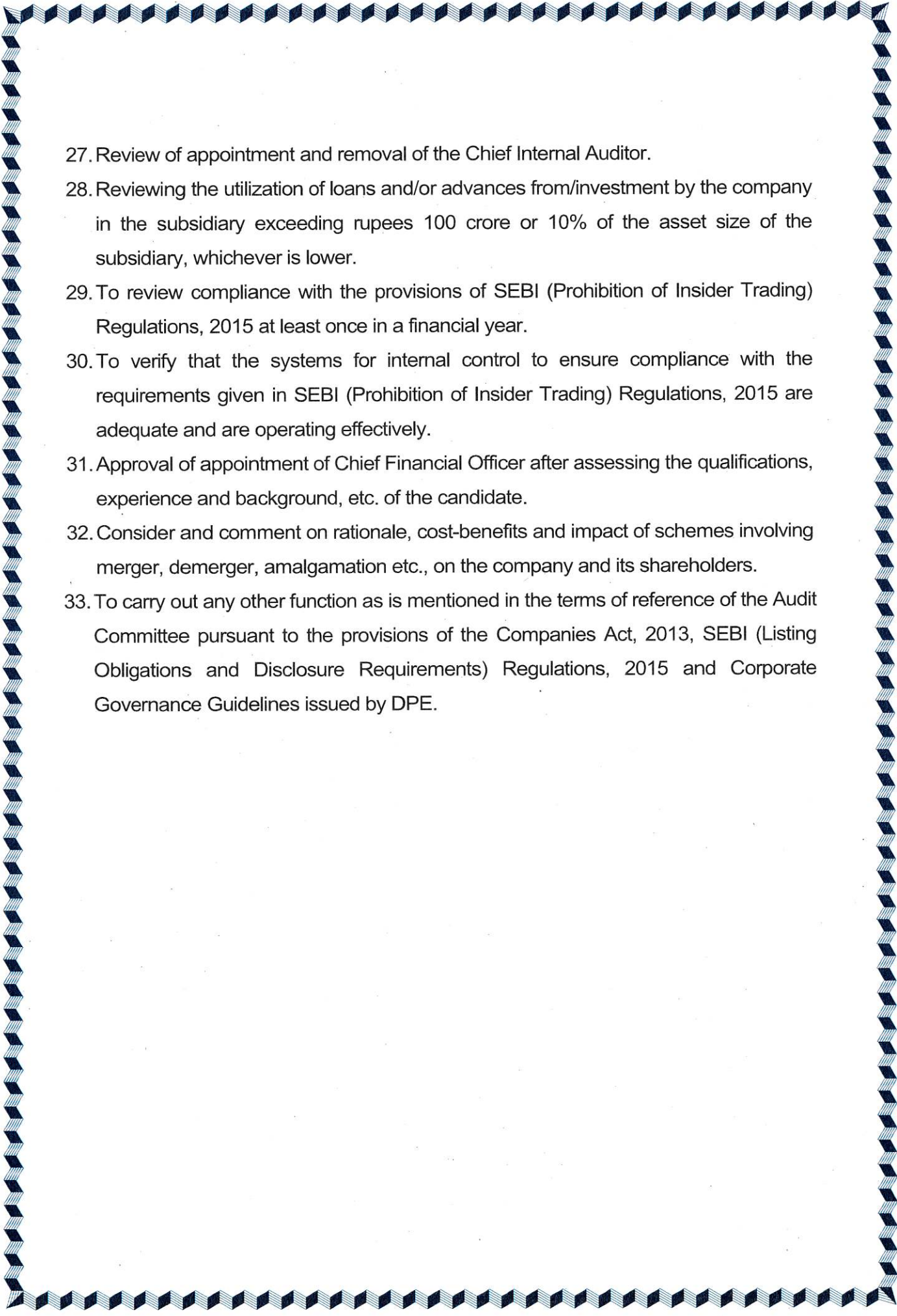
23. Evaluation of internal financial controls and risk management systems.

24. 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 utilization of proceeds of a public or right issue and making appropriate recommendations to the Board to take up steps in this matter.

25. Recommending with the Board the appointment and remuneration of the cost auditors of the company.

26. Review of:

- i) Management discussion and analysis of financial condition and results of operations.
- ii) Management letters/letters of internal control weaknesses; issued by the statutory auditors.
- iii) Internal Audit Reports relating to internal control weaknesses.

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27. Review of appointment and removal of the Chief Internal Auditor.
 28. Reviewing the utilization of loans and/or advances from/investment by the company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower.
 29. To review compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 at least once in a financial year.
 30. To verify that the systems for internal control to ensure compliance with the requirements given in SEBI (Prohibition of Insider Trading) Regulations, 2015 are adequate and are operating effectively.
 31. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate.
 32. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the company and its shareholders.
 33. To carry out any other function as is mentioned in the terms of reference of the Audit Committee pursuant to the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Corporate Governance Guidelines issued by DPE.

(ii) Terms of reference of Nomination and Remuneration

Committee:

1. To formulate the criteria for determining positive attributes and independence of a Director.
2. To recommend distribution of the annual bonus/Performance Related Pay (PRP) and policy for its distribution across the Board and below Board level employees including key managerial personnel.
3. To formulate the criteria for evaluation of independent directors and the board.
4. To devise a policy on board diversity.
5. To identify persons who may be appointed in senior management in accordance with the criteria laid down and recommend to the board their appointment and removal.
6. To examine and recommend other allowances and perks, etc. to the Board of Directors for approval.
7. To recommend to the board, all remuneration, in whatever form, payable to senior management.
8. 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 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.
9. To carry out any other function as may be required under the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Corporate Governance Guidelines issued by DPE.

(iii) **Terms of Reference of Stakeholders' Relationship Committee:**

1. Resolving the grievances of the security holders 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.
2. Review of measures taken for effective exercise of voting rights by shareholders.
3. Review of adherence to the service standards adopted in respect of various services being rendered by the Registrar & Share Transfer Agent.
4. Review of the various measures and initiatives taken for reducing the quantum of unclaimed dividends and ensure timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.
5. To periodically review NHPC Stakeholder Engagement Policy and its proper implementation with respect to its suitability and effectiveness.
6. To Carry out any other function, as required by the provisions of the Companies Act, 2013, SEBI (LODR) and Corporate Governance Guidelines issued by DPE.

(iv) Terms of Reference of Risk Management Committee:

1. To formulate a detailed risk management policy which shall include:
 - (a) A framework for identification of internal and external risks specifically faced by the Company, 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.
 - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
 - (c) Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
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.
7. To approve and review risk disclosure statements in any public documents or disclosures.
8. To carry out any other function as required by the provisions of the Companies Act, 2013, SEBI LODR and Corporate Governance Guidelines issued by DPE.

(v) **Terms of Reference of Committee of Directors on Corporate Social Responsibility & Sustainability:**

1. To formulate and recommend to the Board, a Corporate Social Responsibility & Sustainability Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
2. To monitor the Corporate Social Responsibility & Sustainability Policy of the Company from time to time;
3. To recommend the amount of expenditure to be incurred on the activities referred at S.No.1;
4. To recommend / review CSR projects / programs / proposals, falling within the purview of Schedule VII of the Companies Act, 2013;
5. To formulate and recommend to the Board, an Annual Action Plan in pursuance of CSR Policy and CSR Rules, as amended from time to time.
6. To institute a monitoring mechanism for implementation of the CSR projects / programmes / activities undertaken by the Company;
7. To assist the Board of Directors to formulate strategies on CSR initiatives of the Company;
8. To approve the content of annual report on CSR activities as per performa given in the Rules, inter-alia covering responsibility statement that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company;
9. To periodically submit reports to the Board of Directors for their information, consideration and necessary directions;
10. To approve the Annual Business Responsibility and Sustainability Report, and
11. To comply with the other requirements on Corporate Social Responsibility Policy, as amended from time to time.

(vi) **Terms of Reference of Committee of Directors for Allotment and Post-Allotment Activities of NHPC Securities:**

1. Issue of certificate(s) relating to securities;
2. Transfer and transmission of securities;
3. Re-materialization of securities certificate(s);
4. Issue of duplicate certificate(s) relating to securities; and
5. Consolidation/splitting of NHPC's securities.

(vii) **Terms of reference of Appellate Authority:**

The Committee is to act as an appellate authority for the cases placed before it in terms of CDA rules.

(viii) **Terms of reference of Committee for approval of deviations/variations in the Contracts approved by the Board**

To exercise powers of the Board under clause 5 (c) of Annexure-A of DOP for deviations/ variations resulting cumulatively in an increase in the contract value of the contracts approved by the Board upto the limit of 50% of the value of the Contract.

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 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) ¹["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 ²["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.

VII. Separate meetings:

- (1) The independent Directors of the company shall hold at least one meeting ³["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.

⁴["Note: The provisions of sub-paragraph (2) and (7) of paragraph II, paragraph IV, paragraph V, clauses (a) and (b) of sub-paragraph (3) of paragraph VII and paragraph VIII shall not apply in the case of a Government company as defined under clause (45) of section 2 of the Companies Act, 2013 (18 of 2013), if the requirements in respect of matters specified in these paragraphs are specified by the concerned Ministries or Departments of the Central Government or as the case may be, the State Government and such requirements are complied with by the Government companies."]

Extracts of the provisions of the Companies Act, 2013

Section 2 (60) – Definition.

“officer who is in default”, “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, authorises, 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, Board’s 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 Directors, 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.