



VREEDHI FINANCIAL SERVICES PRIVATE LIMITED

POLICY FOR INDEPENDENT DIRECTORS

Introduction:

A director is considered as independent when he or she has no relationship of any kind whatsoever with the Company, its Group or the Management of such a nature that might influence or reasonably be perceived to influence their capacity to bring an independent judgment and to always act in the best interests of the company. Accordingly, an Independent Director is understood to be not only a non-executive director but also one devoid of any particular interests with them.

Vreedhi is committed to adopting the highest standards of corporate governance. Hence, it is important to have Independent Directors on the board of the company not only to meet the regulatory requirements but also to improve the quality of proceedings.

It is the responsibility of the Board to determine the independence of Directors in accordance with this policy. The Director should meet the requirements of Section 149 of the Companies Act, 2013 ('Act') and rules made thereunder read with Schedule IV of the Act at all times to be eligible to get appointed as an Independent Director.

The Board of Directors may consider that, although a particular Director meets the above criteria, he/she cannot be held to be independent owing to the specific circumstances of the person or the Company, due to its ownership structure or for any other reason.

The Board would review and recommend amendment to the Policy, as and when required.

Definitions:

(i) Associate Company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such significant influence and includes a joint venture company.

For the purpose of this clause,

- (a) "Significant Influence" means control of at least 20% of the total share capital or of business decisions under an agreement.
- (b) "Joint Venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

(ii) Company means Vreedhi Financial Services Private Limited.

(iii) Holding Company in relation to one or more other companies, means a company of which such companies are subsidiary companies;

(iv) Independent Director 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) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(c) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

(d) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding 10% 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;

(e) 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 Rs. 50 Lakhs (or) 2% 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 2% (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);

(f) who, neither himself nor any of his relatives—

(i) holds or has held the position of a Key Managerial Personnel (KMP) 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 10% (or) more of the gross turnover of such firm;

(iii) holds together with his relatives 2% or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any non-profit organization that receives 25% (or) more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company; or

(f) possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administrations, research, corporate governance, technical operations or other disciplines related to the Company's business.

(v) Key Managerial Personnel in relation to a Company, means:

- the Chief Executive Officer or the Managing Director or the Manager;
- the Company Secretary;
- the Whole-time director;
- the Chief Financial Officer;
- such other officer not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- Such other officer as may be prescribed

(vi) Managing Director means a director who, by virtue of the AOA of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is

entrusted with substantial powers of Management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

(vii) Nominee Director means a director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

(viii) Promoter means a person:

- who has been named as such in a prospectus or is identified by the company in the annual return; or
- who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or
- in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act.

A person who is acting merely in a professional capacity is not covered under the scope of this definition.

(ix) Pecuniary Relationship does not include any remuneration, commission or sitting fees paid to the Directors or reimbursement of expenses for participation in the Board and other meetings of the company.

(x) Related Party with reference to a Company means:

- A Director or his Relative [or]
- Key Managerial Personnel (KMP) or his Relative [or]
- A firm in which a Director / Manager or his Relative is a Partner [or]
- A Private Company in which a Director / Manager is a Member or Director [or]
- A Public Company in which a Director/ Manager is a Director and holds along with his Relatives, more than 2% of its paid-up share capital [or]
- Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager [or]
- Any person on whose advice, directions or instruction (except given in professional capacity) a Director or Manager is accustomed to act [or]
- A Holding/ Subsidiary or an Associate Company of such company [or]
- A subsidiary of a holding company to which it is also a subsidiary [or]
- An investing company or the venture of the company

(xi) Relative with reference to any person, means anyone who is related to another, if:

- they are members of a Hindu Undivided Family;
- they are husband and wife; or

- one person is related to the other in following manner:
 - ✚ Father (includes step-father);
 - ✚ Mother (includes step-mother);
 - ✚ Son (includes step-son);
 - ✚ Son's wife;
 - ✚ Daughter;
 - ✚ Daughter's husband;
 - ✚ Brother (includes step-brother) and
 - ✚ Sister (includes step sister).

(xii) Subsidiary Company in relation to any other company (that is to say the Holding Company), means a company in which the holding company –

- controls the composition of the Board of Directors; or
- exercises or controls more than ½ of the total voting power either at its own or together with one or more of its subsidiary companies;

(xiii) Whole-Time Director includes a director in the whole-time employment of the company.

Appointment:

The appointment of an Independent Director will be for a consecutive period of 5 years and shall be eligible for reappointment on passing of a special resolution by the company. The reappointment shall be on the basis of report of performance evaluation.

However, no independent director shall hold office for more than 2 consecutive terms but will be again eligible for appointment after the expiry of 3 years of cessation.

Appointment will be subject to the maximum limit of directorships of Twenty Companies and shall be formalized through a Letter of Appointment as set out in Schedule IV specifying the terms and conditions of appointment. Further, they will not be liable for retirement by rotation.

The Board may, if it deems fit, and in compliance various applicable laws, invite Independent Director for being appointed on one or more existing Board Committees or any such Committee that will be constituted in the future. The appointment on such Committee(s) will be subject to applicable law.

Manner of Appointment:

- 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.

- The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- 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.

Roles, Duties and Responsibilities:

As member of the Board along with other Directors will be collectively responsible for meeting the objectives of the Board which include:

- complying the requirements under the Companies Act, 2013 (hereinafter referred to as "Act"), Schedule IV of the Act and the Rules made thereunder and act in accordance with the Articles of Association of the Company;
- providing guidance in the area of his/her expertise and give Independent judgement on any matter of the Board
- keeping abreast of current changes and trends in economic, political, social, financial, legal and corporate governance practices
- prevent the management from taking decisions that is likely to affect the interest of the shareholders as large
- ensure that there should not be any unethical behaviour or fraudulent practices adopted by the board
- ensure that there should not violation of any company's policy
- 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.
- recommend the CSR Policy to the board and CSR activities and programs as per Schedule VII;
- specify the CSR expenditure and monitor the CSR Policy of the Company from time to time
- recommend for appointment, remuneration and terms of appointment of auditors of the Company;
- review and monitor the auditor's independence and performance, and effectiveness of audit process;
- examine of the financial statement and the auditors' report;
- review annual financial statements with reference of accounting policies and practices.
- 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;

- formulate Succession plan to ensure corporate governance, stability and sustainability of the business.

Remuneration and reimbursement of expenses:

- Sitting fees as decided by the Board, from time to time, as per the provisions of Companies Act, 2013 and rules made therein.;
- Reimbursements for travel, stay arrangements and other incidental expenses incurred by them in the performance of their role & duties;
- Any other fee subject to the provisions of the Companies Act, 2013 and Company's policy, as amended from time to time.

The Company has Directors' and Officers' liability insurance and it is intended that the Company will assume and maintain such cover for the full term of 5 years of appointment.

Performance appraisal/evaluation process:

The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated on an annual basis. Any appointment and/or reappointment on the Board shall be subject to the outcome of the yearly evaluation process.

The criteria for evaluation shall be determined by the Audit, Risk and Compliance Committee of the Board.

An indicative list of factors that may be evaluated as a part of this exercise is:

- Participation and contribution of the Independent Director,
- Commitment (including guidance provided to senior management outside of Board /Committee meetings),
- Effective deployment of knowledge and expertise,
- Effective management of relationship with stakeholders,
- Integrity and maintenance of confidentiality
- Independence of behavior and judgment, and
- Impact and influence.

Disclosures, other directorships and business interests:

During the term, Independent Director needs to promptly notify the Company of any change in their directorships and provide such other disclosures and information as may be required under the applicable laws. Independent Director should upon becoming aware of any potential conflict of interest, Independent Director should promptly disclose the same to the Company.

All information acquired during the appointment shall be confidential to the Company and shall not be disclosed by any means, either during their appointment or after cessation to third parties without prior consent of Chairman of the Company unless required by any statute and shall use reasonable efforts to keep it confidential at all times.

During the term, Independent Director shall promptly, intimate the Company Secretary and the Registrar of Companies in the prescribed manner, of any change in address or other contact and personal details provided to the Company.

Assessment of Independence:

- The independence of the director proposed to be appointed as an Independent Director will be assessed prior to appointment in accordance with this policy for the selection & appointment;
- To further establish the continuity of independent status, it will be re-assessed annually and also at such other times as may be determined by the Board.

They need to submit a "*Declaration of Independence*" confirming that they meet the criteria of independence as provided in Sec 149(6) of the Companies Act, 2013 to the Board of Directors in the format enclosed as ***Annexure I***.

Meetings:

As per Schedule IV of Companies Act 2013, 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 and all the independent directors of the company shall strive to be present at such meeting.

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.

Termination:

Any termination or cessation shall be in accordance with the Companies Act, 2013.

Independent Director 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 them in the notice, whichever is Later.

If at any stage during their term, there is a change that may affect status of an Independent Director as envisaged in Section 149(6) of the Companies Act, 2013, Independent Director should promptly submit resignation to the Company with effect from the date of such change.

Scope of Limitation:

In the event of any conflict between the provisions of this Policy and the Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

DECLARATION OF INDEPENDENCE

To,
The Board of Directors,
Vreedhi Financial Services Private Limited
H.No.6-3-655/6/1, Somajiguda, Hyderabad 500082

Sub: Declaration under sub-section (6) of section 149;

I, ***** S/o ***** R/o ***** hereby certify that I comply with all the criteria of Independent Director envisaged in applicable provisions of Companies Act, 2013 as & when it may be notified.

I hereby certify that:

- a. in the opinion of the Board, I am a person of integrity and possesses relevant expertise and experience
- b. I am not a promoter of the company or its holding, subsidiary or associate company;
- c. I am not related to promoters or directors in the company, its holding, subsidiary or associate company
- d. I have/ had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten percent of 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;
- e. none of my 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 lakhs 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, for an amount of fifty lakhs rupees, at any time 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 an amount of fifty lakhs rupees, at any time 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 percent 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);
- f. Neither me nor any of my relatives—
 - a. 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

- b. is or has been an employee or proprietor or a partner, in any of the three financial 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 10% or more of the gross turnover of such firm;
- c. holds together with his relatives 2% or more of the total voting power of the company; or
- d. is a Chief Executive or director, by whatever name called, of any non-profit organization that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company;
- g. I possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administrations, research, corporate governance, technical operations or other disciplines related to the Company's business.

Thanking You,

Yours Faithfully,

(*****)

DIN: *****

Place: *****

Date: *****