



## **MILESTONE GEARS LIMITED**

*(Formerly known as Milestone Gears Private Limited)*

### **POLICY ON TERMS OF APPOINTMENT OF INDEPENDENT DIRECTORS**

Section 149 of the Companies Act, 2013 read with Rule 4 and Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides for the appointment of an Independent Director. In terms of Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulation, 2015 (the "Listing Obligation") the board of directors of the company is required to lay down a code of conduct for all members of board of directors and shall suitably incorporate the duties of independent directors as laid down in the Companies Act, 2013.

The broad terms and conditions of appointment of Independent Directors are reproduced hereunder:

#### **1. APPOINTMENT**

The appointment will commence from their effective date of appointment for the period of 5 years or the Director attaining the age of 75 years, whichever is earlier ("Term"). The Company may disengage Independent Directors prior to completion of the Term subject to compliance of relevant provisions of the Act. As Independent Directors, they will not be liable to retire by rotation.

#### **2. ROLE, DUTIES AND RESPONSIBILITIES**

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

- i. He shall act in accordance with the Company's Articles of Association.
- ii. He shall act in the best interests of the Company and its stakeholders, exercising his independent judgment and providing objective and impartial advice.
- iii. He shall ensure the maintenance of high standards and best practices when it comes to financial probity and corporate governance.
- iv. He shall keep himself well informed about the Company and the external environment in which the Company operates and shall not unfairly obstruct the functioning of an otherwise proper Board or Committee of the Board.
- v. He shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure himself that the same are in the best interest of the Company.
- vi. He shall report concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct.
- vii. He shall comply with all applicable laws, regulations, and company policies, including the Code of Conduct for Directors.



- viii. He shall satisfy himself on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.
- ix. He shall moderate and arbitrate in the interest of the Company as a whole, in situations of conflicts between Management and Shareholder's interest.
- x. While acting within his authority, assist in protecting the legitimate interests of the Company, its shareholders, and employees.
- xi. He shall not involve himself in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- xii. He shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners or associates.
- xiii. He shall not assign his office as Director and any assignments so made shall be void ab initio.
- xiv. He is required to abide by the fiduciary and other obligations including, inter alia: (i) the provisions of Section 166 of the Act and the SEBI Regulations (as applicable); and (ii) the provisions of Schedule IV to the Act (Code for Independent Directors), including duties therefrom as specified
- xv. He shall undertake the aforementioned duties and responsibilities in accordance with applicable law, with all due care, skill and diligence and comply with all lawful orders and instructions given by the Company and/ or the Board in this regard. He shall also observe and comply with applicable provisions of the Company's codes and policies.

### **3. COMPONENTS OF REMUNERATION AND LIMITS**

#### **(a) Sitting Fees:**

- Subject to the approval of the Board, Non-Executive Directors shall be entitled to sitting fees for attending meetings of the Board and its Committees.
- The amount of sitting fees shall be determined by the Board, subject to a maximum of ₹1,00,000 per meeting, or such other limit as may be prescribed under the Companies Act, 2013, from time to time.

#### **(b) Remuneration / Commission / Compensation and its Criteria**

- The Company may pay remuneration / commission / compensation to Non-Executive Directors, subject to an overall limit of 1% of the net profits of the Company if there is a Managing Director or Whole-Time Director, or 3% of the net profits if there is no such Executive Director, in accordance with Section 197 of the Companies Act, 2013.
- Any remuneration paid in excess of the prescribed overall limit shall require the prior approval of the shareholders of the Company, in compliance with the applicable provisions of the Companies Act, 2013.
- The individual commission amount shall be determined based on factors such as attendance, level of engagement, contribution to Board and Committee proceedings, and responsibilities undertaken.

#### **(c) Reimbursement of Expenses**



Non-Executive Directors shall be entitled to reimbursement of expenses incurred in attending Board and Committee meetings or in connection with the business of the Company, including travel, accommodation, and other incidental expenses.

#### **(d) Other Benefits**

- The Company may extend Directors' and Officers' (D&O) insurance coverage to Non-Executive Directors to protect them against liabilities arising from their Board duties.
- Non-Executive Directors, including Independent Directors, shall not be eligible for stock options, performance-linked incentives, or any other benefits that may compromise their independence.

### **4. APPROVAL MECHANISM**

- The remuneration payable to Non-Executive Directors shall be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- Any remuneration other than sitting fees shall also require approval from shareholders at a General Meeting, where necessary under applicable laws.

### **5. TENURE**

Independent Directors shall be appointed for a maximum period of 5 consecutive years on the Board of the Company.

### **6. BOARD COMMITTEE**

During the tenure of office, the Independent Director may be requested to serve on one or more committees of the Board and in the event of acceptance of such request(s) they will be provided with the relevant committee's terms of reference and specific responsibilities.

### **7. TRAINING AND DEVELOPMENT**

The Company may, if required, conduct formal training program for its Independent Directors. The Company may, as may be required, support Directors to continually update their skills and knowledge and improve their familiarity with the company and its business. The Company will fund/arrange for training on all matters which are common to the whole Board.

### **8. CONFLICT OF INTEREST**

During the term, they are required to promptly notify any change in their directorships, appointments and interest in any manner whatsoever. In the event that circumstances seem likely to change and could give rise to a conflict of interest or, when applicable, circumstances that lead the Board to revise its judgment on their independence, the same should be disclosed to the chairman of the Board.



## **9. PERFORMANCE APPRAISAL**

As members of the Board, their performance as well as the performance of the entire Board and its Committees will be evaluated annually. Evaluation of each director shall be done by all the other directors. The criteria for evaluation shall be disclosed in the Company's Annual Report. However, the actual evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board / Committee.

## **10. CODE OF CONDUCT**

During the tenure as Independent Director, they are required to comply with the Code of Conduct as provided in Schedule IV to the Act. They are also requested to give a declaration that they will meet the criteria of 'independence' at the first meeting of the Board in every financial year pursuant to the provisions of Section 149(7) of the Act. They are also required to abide by Company's Code of Conduct for Directors and Senior Management.

## **11. CONFIDENTIALITY**

All information acquired during the tenure is confidential to the Company and shall not be released, either during the appointment or following termination (by whatever means) to third parties without prior clearance from the chairman, unless required by law or by the rules of any stock exchange or any regulatory body.

## **12. RESIGNATION OR REMOVAL**

Independent Director(s) 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. Their directorship on the Board of the Company shall cease in accordance with law. The Company may disengage Independent Directors prior to completion of Term (subject to compliance of relevant provisions of the Act) upon:

- Violation of any provision of the Milestone Code of Conduct as applicable to NEDs, or
- Upon the director failing to meet the criteria for independence as envisaged in Section 149(6) of the Act or the SEBI Listing Regulations.

## **13. DISCLOSURES, OTHER REQUIREMENTS AND BUSINESS REQUIREMENTS**

During the Term, they agree to promptly notify the Company of any change in their directorships, memberships and provide such other disclosures and information as may be required under the applicable laws. They also agree that upon becoming aware of any potential conflict of interest with their position as Independent Director of the Company, they shall promptly disclose the same to the chairman of the Board and the company secretary of the Company. During their Term, they agree to promptly provide a declaration under Section 149(7) of the Act, upon any change in circumstances which may affect their status as an Independent Director.



#### **14. GENERAL**

Where the terms of this Policy differ from any existing or newly enacted law, rule, or regulation, the law, rule or regulation will take precedence over this Policy from the effective date of such law, rule or regulation. For interpretation of this Policy, reference and reliance may be placed upon circulars/clarifications issued by the MCA, SEBI and/or any other authority.

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