

Date: September 30, 2019

To,

**Mr. Najib Shah**

Villa No. 32,

Prestige Mayberry,

Nagondanahalli Main Road,

Whitefield,

Bangalore – 560066.

Dear Sir,

**Re: Appointment as an Independent Director of CARE Ratings Limited (CARE)**

I am pleased to inform you that upon the recommendation of the Nomination and Remuneration Committee and the Board of Directors, CARE Ratings Limited (hereinafter referred to as CARE or the Company), at the 26<sup>th</sup> Annual General Meeting held on Monday, September 30, 2019, approved your appointment as an Independent Director with effect September 30, 2019. This letter of appointment sets out the terms and conditions covering your appointment which are as follows:

**I TERMS OF APPOINTMENT**

In accordance with the provisions of the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws, you will serve as an Independent Director on the Board till the conclusion of Annual General Meeting to be held for Financial Year 2021-22.

As an Independent Director, you will not be liable to retire by rotation.

The Company has adopted the provisions with respect to appointment and terms of Independent Directors, which are consistent with the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**II EXPECTATION OF THE BOARD**

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. You will be expected to attend Board, 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.

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**CARE Ratings Limited**  
(Formerly known as Credit Analysis & Research Limited)



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.

### III **BOARD COMMITTEES**

The Board of Directors (the Board) may, if it deems fit, invite you for being appointed on one or more existing Board Committees or any such Committee that is set up in the future. Your appointment on such Committee(s) will be subject to the applicable regulations.

Currently, the Board has five committees. Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Risk Management Committee.

### IV **ROLE AND DUTIES**

Your role and duties will be those normally required of a non-executive director under the Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. There are certain duties prescribed for all the directors, both Executive and Non-Executive which are fiduciary in nature and are as under:

- You shall act in accordance with the Company's Articles of Association as may be amended from time to time.
- You shall act in good faith in order to promote the objects of the Company for the benefits of the members as a whole, and in the best interest of the Company.
- You shall discharge your duties with due and reasonable care, skill and diligence.
- You should not involve yourself in a situation in which you have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- You shall not achieve or attempt to achieve any undue gain or advantage either to yourself or your relatives, partners or associates.
- You shall not assign your office as Director and any assignments so made shall be void.

In addition to the above requirements, the Board of Directors also expect you to perform the following functions:

- You should constructively challenge and help develop proposals on strategy for growth of the Company.



- You should evaluate the performance of management in meeting agreed goals and objectives.
- You should satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are effective and defensible.
- You are responsible for determining appropriate levels of remuneration of Executive Directors and have a prime role in appointing, and where necessary, removing executive directors and in succession planning.
- You will take responsibility for the processes for accurately reporting on performance and the financial position of the Company.
- You should keep governance and compliance with the applicable legislation and regulations under review and the conformity of Company's practices to accepted norms.

There are certain roles, functions and 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 of Conduct for Independent Directors' as amended from time to time to the extent relevant and applicable to your role. The present code is annexed hereto as **Annexure A**.

#### **V INDUCTION**

The Company shall conduct a formal induction program for its Independent Directors, as necessary. You will be invited to attend ongoing training and familiarization programmes.

#### **VI DIRECTORS AND OFFICERS (D & O) INSURANCE**

The Company maintains a Directors and Officers Insurance Policy, to pay for the personal liability of directors and officers for claims made against them while serving on the Board and / or as an officer of the Company.

#### **VII CONFLICT OF INTEREST**

It is accepted and acknowledged that you may have business interest other than those of the Company. As a condition to your appointment, you are required to declare any such directorship, appointments and interests to the Board in writing in the prescribed form.

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 judgement that you are independent, this should be disclosed to the Board.



**VIII CODE OF BUSINESS ETHICS & ACTIVITIES THAT SHOULD NOT BE DONE**

You will follow the Code of Conduct of the Company and furnish annual affirmation of the same.

You will apply the highest standards of confidentiality and not disclose to any person or company (whether during the course of the tenure as Independent Director or at any time after its cessation) any confidential information concerning the Company including any subsidiary or associate thereof with which you come into contact by virtue of your position as a Director, except as permitted by law or with prior clearance from the Board.

We would also like to draw your attention to the applicability of Securities & Exchange Board of India (Prohibition of Insider Trading) Regulation, 2015, which inter-alia prohibits disclosure or use of unpublished price sensitive information. You should not make any statement(s) that might risk a breach of the requirements specified under the said statute unless the same is required under any law or the same is required for the purpose of compliance of any direction, order, etc. issued/given by any judicial authority. Additionally, you shall not participate in any business activity which might impede the application of your independent judgement in the best interest of the Company.

You are required to comply with the Company's Code of Conduct for dealing in the Company's shares during the period when the trading window is closed. Further you will have to pre-clear your trades from the Managing Director / Compliance Officer of the Company.

**IX 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 attending the meetings of the Board and the Committees as may be decided by the Board from time to time. Currently the sitting fees are Rs. 1,00,000/- per meeting of the Board and Rs. 50,000/- per Committee meeting.

Further, the Company may pay or reimburse to you such fair and reasonable expenditure, as may have been incurred by you while performing your role as an Independent Director of the Company towards hotel accommodation, travelling and other out-of-pocket expenses.



**X EVALUATION**

The Company will carry out an evaluation of the performance of the Board as a whole, Board Committees and the Directors on an annual basis. Your appointment and re-appointment on the Board shall be subject to the outcome of the yearly evaluation process.

**XI DISCLOSURE OF INTEREST**

It is expected that any interest you may have in any transaction or arrangement that the Company has entered into should be disclosed not 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 contracts with a particular person, firm or company is acceptable.

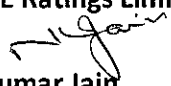
**XII TERMINATION**

You may resign from your position at any time you wish to do so after serving a reasonable notice to the Board. Continuation of your appointment will be in accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, from time to time in force. Your appointment may also be terminated in accordance with the provisions of the Articles of Association of the Company.

Please confirm your acceptance by signing, dating and returning a copy of this letter to the Company.

Thanking you,  
Yours sincerely,

For CARE Ratings Limited

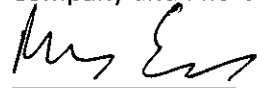
  
Navin Kumar Jain  
Company Secretary



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**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: Najib Shah  
DIN: 08120210

Place: Bangalore

Date: September 30, 2019

**Annexure A**  
**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 fulfillment 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) scrutinize 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 fulfills 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 fulfills 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.



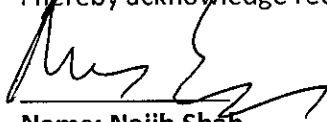
**VII. Separate meetings:**

- 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.

I hereby acknowledge receipt of and accept the terms set out in this letter.



**Name: Najib Shah**

**DIN: 08120210**

Place: Bangalore

Date: September 30, 2019