

Terms of Appointment of Independent Directors

Appointment is also subject to the maximum permissible Directorships that one can hold as per the provisions of the Act and the Listing Regulations.

As per the Companies Act, 2013 (the "Act") a person shall not hold office of Director (including any alternate Directorship) in more than 20 companies and out of these, public companies (including private companies that are either holding or subsidiary of a public company) shall not be more than 10. For more details kindly refer to section 165 of the Act.

As per SEBI (LODR) Regulations, 2015 (the "Listing Regulations") a person shall not serve as an Independent Director in more than 7 listed companies. Further, any person who is serving as a wholetime Director in any listed company shall not serve as an Independent Director in more than 3 listed companies. For this para, only those listed entities whose equity shares are listed on Stock Exchanges shall be considered.

You shall ensure that in case any situation arises as to which you may lose your independence, you will immediately inform the Board of Directors accordingly.

The Company may disengage your office as Independent Director pursuant to compliance of relevant provisions of the Act and Listing Regulations or any other applicable laws.

Your appointment as such is not as an employee of the Company and hence this letter shall not be construed as an employment contract.

Kindly refer to section 164 and 167 of the Act for provisions regarding disqualifications for appointment/continue to remain a Director.

Role and Duties

Primarily your role and duties shall be those as normally required from a non-executive independent Director under the Act and the Listing Regulations. Your role as an Independent Director shall include, inter alia, to bring objectivity and provide a balance to the functioning of the Board by providing independent judgment on various issues raised in the Board meetings. Broadly some of the functions are as under:

- To formulate and review the Company's business strategy
- To monitor Company's performance
- To review and approve Company's financial statements
- To review and counsel on effective corporate governance
- To protect and enhance the 'Pentagon Rugged Systems' brand

Apart from the above, you are expected to perform the roles and duties as prescribed under the Act, particularly Schedule IV (code of Independent Directors) and section 166 of the Act, attached as Annexure A1 and also responsibilities of the Board as mentioned in the Listing Regulations and as amended from time to time.

Liabilities

You as an Independent Director shall be held liable, in respect of such acts of omission or commission by

Company which had occurred with your knowledge, attributable through Board processes, and with your consent or connivance or where you had not acted diligently.

Remuneration

You will be entitled for sitting fee for attending the meetings of Board or committees of Board (of which you are a member) as may be decided by the Board. Sitting fee presently paid to an Independent Director is Rupees One Lakh (Rs. 1,00,000/-) per meeting of the Board and Rupees Seventy Five Thousand (Rs. 75,000/-) per meeting for other Committees of the Board.

Expenses

The Company will reimburse or bear all reasonable and properly documented expenses incurred in performing your role as an Independent Director.

Induction

You shall be eligible for an induction so as to familiarize you with the Company and its business etc.

Disclosure of interest and disclosure of related parties.

You are expected to disclose your concern or interest in any company or companies or body corporate, firms, or other association of individuals, including shareholding, as required by the provisions of section 184 of the Act.

You are also expected to disclosure your related parties as per section 2(76) of the Act.

Confidentiality of Information

Any information acquired during your term as Director of the Company is confidential and should not be released, during your term and following termination for a period of three years since termination, to any third parties without prior written consent from the Chairman unless required by law or by any regulatory body. On reasonable request, you shall surrender any documents and other materials made available to you whilst holding the Directorship.

For any breach of any of the terms contained herein that would cause the Company to suffer loss, which could or could not adequately be compensated for by payment of damages, the Company may, without giving proof of actual or special loss, apply to a court of competent jurisdiction for any remedy or relief as the Company may deem fit, including but not limited to enforcing the performance of terms of this appointment, by interim interdict or specific performance; and notwithstanding that in any particular case where damages may be quantifiable, the Director shall not plead sufficiency of damages as a defense in the proceeding for such interim relief.

For the purposes of this clause, "confidential information" shall mean all material, non-public, business related information, written or oral, whether or not marked confidential, to which the Director may have access during the course of her association with the company including but not limited to the information with respect to the business, clients, business policies and procedures, market strategies, investment strategies and policies of the Company and any other information developed or obtained by the Director during the course of her

association with the Company including designs, concepts, systems, computer programs, financial information, know how, processes, technology, customer lists and other customer and employee related information which would reasonably be considered as exclusive and confidential.

Restrictions

During the term of your appointment, you are expected not to serve or join the competing companies (whether in India or abroad) as Director, Advisor or any such positions.

Evaluation

The Company will carry out an evaluation of the performance of the Board as whole, Board committees and individual Directors on an annual basis. Your evaluation as an Independent Director shall include your performance, fulfillment of independence criteria as specified in the Act and the Listing Regulations, and your independence from management. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of your appointment as Non-executive Independent Director.

Termination

- a. You may resign from your position of non-executive Independent Director at any time by giving a written notice to the Board of Directors as per the provisions of the Act and amendments from time to time.
- b. Continuation of your appointment shall be governed by the provisions of the Act and amendments from time to time, Listing Regulations, Articles of Association of the Company, the Code of Ethics and Conduct of Company and any other Policy of Company or any other applicable law, as in force from time to time.

Publication

In line with the provisions of Schedule IV of the Act, the letter of appointment will be open for inspection by any member of the Company and the Company will also put the terms and conditions of the appointment on the Company's website.

Governing Law

The appointment and the terms herein-above shall be governed by the Laws of India.

Annexure A1

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.

Guidelines of Professional conduct:

An Independent Director shall:

1. uphold ethical standards of integrity and probity.
2. act objectively and constructively while exercising her duties.
3. exercise her responsibilities in a bonafide manner in the interest of the company.
4. devote sufficient time and attention to her professional obligations for informed and balanced decision making.
5. not allow any extraneous considerations that will vitiate her 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 her 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 her independence.
8. where circumstances arise which make an Independent Director lose her Independence, the Independent Director must immediately inform the Board accordingly.
9. assist the company in implementing the best corporate governance practices.

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. 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 those 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.

Duties:

The Independent Directors shall -

- a. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- b. 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;
- c. strive to attend all meetings of the Board of Directors and of the Board committees of which she is a member;
- d. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- e. strive to attend the general meetings of the company;
- f. 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;
- g. keep themselves well informed about the company and the external environment in which it operates;
- h not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- l. 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;
- j. 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;
- k. report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of

conduct or ethics policy;

l. act within their authority, assist in protecting the legitimate interests of the company, shareholders and its employees;

m. 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.

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.

(4) Proposed Director is independent of the management.

(5) The appointment of Independent Directors shall be formulated 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 committees(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) provisions of 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.

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.

Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

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 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.

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.

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.