IFCI LIMITED
आईएफसीआई लिमिटेड

No. IFCI/AGM/2014- 1144

August 28, 2014

Shri S V Ranganath
IAS (Retired)
No. 25, 8th Cross
2nd Block, Jaya Nagar
Banglore – 560011

Shri Ranganath,

Subject: Appointment as Non-Executive Independent Director on the Board.

We are pleased to inform that shareholders of the Company at its 21st Annual General Meeting held on Wednesday, August 27, 2014 have approved your appointment as an Independent Director of the Company in terms of provisions of the companies Act, 2013 as per following terms and conditions:

a) **Term of Appointment** – For a period of 3 years w.e.f. April 1, 2014.

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 and as per the Listing Agreement (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. (Schedule IV of the Companies Act, 2013 is enclosed as **Annexure – A**)

आईएफसीआई लिमिटेड
पंजीकृत कार्यालय:
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CIN: L74899DL1993PLC053677

d) **Induction on the Committees** – The Board constitutes various sub-committees of the Board as per the requirements of the Companies Act, Listing Agreement or for administrative convenience. The Independent Director may be expected to be on these Committees from time to time. 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 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	1. To consider internal audit reports, reviews internal controls and systems and provides guidance and direction to the internal audit function. To review the corporate accounting and reporting practices and also considers changes in accounting policy. Review of quarterly/ half yearly and final accounts of the Company. 2. To have an oversight of the Company's financial reporting process and the disclosure of its financial information so as to ensure that the financial statement is correct, sufficient and credible. 3. To review with the management, the annual financial statements before submission to the board for approval, with particular reference to: a. Matters to be included in the Director's Responsibility Statement 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 relating to financial statements.

		f. Qualifications in the draft audit report, if any. 4. To review, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems. 5. To review the adequacy of 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. It can have discussion with internal auditors regarding any significant findings and follow up there on. 6. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board. 7. To have discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. 8. The Committee may also 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. 9. The recommendation of appointment, remuneration and terms of appointment of Auditors of the Company; 10. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

		11. Examination of the financial statement and the auditor's report thereon; 12. Approval or any subsequent modification of transactions of the Company with related parties; 13. Scrutiny of inter-corporate loans and investments; 14. Valuation of undertakings or assets of the Company, wherever it is necessary; 15. Evaluation of internal financial control and risk management systems; 16. Monitoring the end use of funds raised through public offers and related matters; 17. Formulation of the scope, functioning, periodicity and methodology for conducting the internal audit, in consultation with the internal auditor(s). 18. Overseeing of the Vigil Mechanism along with making provision for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.
2	Executive Committee	1. To sanction financial assistance including underwriting of above ₹100 crores and upto ₹300 crores in a single facility to a borrower and above ₹250 crore and upto ₹750 crore to a borrower group. 2. To review the affairs of assisted concerns and/or to note/approve merger/amalgamation/ change of controlling interest / management/hiving of divisions/one time settlement / negotiated settlement of dues/ conversion of loans into equity/ rehabilitation package to all concerns with

		outstanding principal amount and to approve consequential waiver of dues. 3. To review the status report of BIFR Cases. 4. To consider all other MIS/Periodical reports by the management in which no policy issues are involved. a) To consider and note/approve periodical reports stated below: - Relaxations/ Modifications in the terms of sanction of financial assistance/ settlements /Restructuring by CEO & MD - Write offs/ Waiver approved by CEO & MD - Approvals granted by CEO & MD for recall of loans and filing of suits. - Sale of assets approved by CEO & MD - Statistical information regarding foreign currency funds available, sub loans sanctioned and commitments made there against. - Review of special schemes. - Jute Modernisation Fund Scheme. - Sugar Development Scheme. - Technology Upgradation Fund Scheme. - Periodic review of Non-Performing Assets / Investments. 5. Premature repayment of loans approved by CEO & MD. 6. Term Loans granted by Institutions against guarantees of Central/ State Govt./ Govt. Undertaking – Statement showing defaults. 7. Review of contingent liabilities under Deferred Payment Guarantee/ Foreign Loan Guarantee.
3	Nomination and	1. Identifying persons who are qualified to become

	Remuneration Committee	directors and who may be appointed in Senior Management as per the criteria laid down and recommending to the Board their appointment and removal. "Senior Management" means personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads. 2. The Committee shall evaluate performance of every Director. 3. The Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a Director. 4. The Committee shall also formulate and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial personnel and other employees.
4	HR Committee	Policy on HR matters including, career management and succession planning.
5	Stakeholders Relationship Committee	1. Consider and resolve the grievances of security holders of the Company, and 2. Redressal of shareholder and investors complaints.

6	Risk Management Committee	1. Identifying and monitoring key risks of the institution. 2. Devising the policy and strategy for integrated risk management. 3. Satisfying itself that policies and procedures are in place to manage risks to which the institution is exposed, including credit, market, operational and reputational risks. 4. Critically assessing the institution's business strategies and plans from a risk perspective and advising the Board suitably. 5. Deciding the risk measurement methodologies, setting limits for risk management and reviewing, periodically, the actual positions vis-à-vis the limits set. 6. Satisfying itself that exceptional reporting framework is in place in the institution. 7. Reviewing the risk management policies periodically and suggesting the changes required in tune with the market environment. 8. Review of major policies viz., General Lending Policy, Credit Risk Management Policy, Treasury and Investment Policy and recommend for approval of the Board.
7	Committee of Directors for Employees Stock Option (ESOP Committee)	1. The Committee will be for administration and superintendence of the ESOP. 2. The Committee shall, inter alia, formulate the detailed terms and conditions of the ESOP including ;

		(a) the quantum of option to be granted under an ESOS per employee and in aggregate. (b) the conditions under which option vested in employees may lapse in case of termination of employment for misconduct; (c) the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period; (d) the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee. (e) the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period; (f) the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues ,merger, sale of division and others. In this regard following shall be taken into consideration by the compensation committee: (i) the number and the price of ESOP shall be adjusted in a manner such that total value of the ESOP remains the same after the corporate action (ii) for this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad shall be considered.

		(iii) the vesting period and the life of the options shall be left unaltered as far as possible to protect the rights of the option holders. (g) the grant, vest and exercise of option in case of employees who are on long leave; and (h) the procedure for cashless exercise of options.
8.	Corporate Social Responsibility Committee	1. Formulate and Recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013. 2. Recommend the amount of expenditure to be incurred on the CSR activities. 3. Monitor the CSR Policy of the Company from time to time. 4. To institute a transparent monitoring mechanism for implementation of the CSR projects/ program/ activities undertaken by the Company.
9.	Recovery and NPA Management Committee	1. To have more effective control on the recovery of both Standard Accounts as well as NPA Accounts. 2. To monitor the recovery efforts in all accounts 3. To ensure that all accounts are properly identified for classification as NPA
10.	E-Governance Committee	1. To guide IT Department of the Company to develop and implement all IT policies and procedures, including those for architecture, security, disaster recovery. 2. To oversee the streamlining operation of the IT in

		the organization. 3. To oversee the deployment of long-term strategic plans for acquiring and enabling efficient and cost-effective information processing and communication technologies. 4. To review performance of IT systems to determine operating costs, productivity levels, and upgrade requirements. 5. To review, report on and make recommendations for the improvement of the IT infrastructure and IT systems. 6. To oversee the acquiring, deployment, monitoring, maintenance, development, and support of all hardware and software based on department needs. 7. To seek IT solutions that support business operations.

e) **Duties and Liabilities**

The duties and liabilities would be as per the Companies Act, 2013 read with the applicable Rules, Listing Agreement and other applicable Laws and regulations, which at present are as follows:

1. **Duties of the Director** -
   a) Duty of care to exercise appropriate diligence and make informed decisions.
   b) Duty of loyalty to act in good faith and honesty.
   c) To act in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the community and for the protection of environment.
   d) To exercise duties with due and reasonable care, skill and diligence and shall exercise independent judgment at all times.

e) Not to be involved in a situation which may have a direct or indirect conflict of interest, or possibly may conflict, with the interest of the Company.
f) At all times to keep the Board abreast of the interest incurred in other company or companies, bodies corporate, firms or other association of individuals. The interest may either be by way of directorship/ shareholding/ any other way.

2. **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 for prevention of Insider Trading in Securities of IFCI Ltd. and Its Client Companies' which inter-alia requires that price-sensitive information is not used or transmitted and 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) No 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 and officers of the Company.

G) **Code of Business Ethics** – The Company has in place a Code of Conduct to be observed by IFCI'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.

I) **Remuneration**– The remuneration of the Independent Directors shall be governed by the provisions of the Companies Act, 2013 as amended from time to time. Sitting fees is paid as approved by the Board of Directors from time to time. At present, the sitting fees for Board and Committee(s) of the Board is ₹20,000/- and ₹10,000 per Meeting respectively.

J) **Reimbursement of Expenses** - The Company bears the expenses of travel, stay and conveyance in relation to attending the Meetings of the Board and Committee(s) thereof, by the Independent Directors.

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 requirements of the Listing Agreement as amended from time to time.

Yours sincerely,

(**Malay Mukherjee**)
CEO & Managing Director
Encls: As above