

DEN NETWORKS LIMITED

POLICY ON INDEPENDENCE OF DIRECTORS

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1. BACKGROUND

DEN Networks Limited is committed to meeting the standards of corporate governance of Listing Agreement. Clause 49 of the Listing Agreement provides Board of Directors should have optimum combination of executive and non executive directors with at-least one woman director and not less than fifty percent of the Board of Directors comprising non-executive directors. It also provides that 1/3rd (one third) of the Board should be independent where Chairman of the Board is Non Executive Director and in case the company does not have a regular non-executive Chairman, at least 1/2 (one half) of the Board of Directors of the Company should be independent.

In terms of Clause 49 of the Listing Agreement, the Nomination Committee is required to lay down the evaluation criteria for performance evaluation of independent directors and to disclose the criteria for performance evaluation, in its Annual Report. The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated). The Companies Act, 2013 also provides for appointment of Independent Directors on Board of the Company.

This policy has been developed in compliance with Clause 49 of Listing Agreement and Companies Act, 2013. The independence of Directors of DEN will be assessed by the Board pursuant to this policy and, as described below, the Board will have discretion to determine if a Director is independent.

2. PURPOSE

The purpose of this Policy Statement is to:

- (a) describe how the Board will assess the independence of each Director;
- (b) identify the information that will be collected from each Director to make the assessment of independence; and
- (c) outline the disclosure to shareholders of the assessment of independence of Directors, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of a Director.

3. ASSESSMENT OF INDEPENDENCE

The Board will assess the independence of Directors with reference to the definition of an independent director contained in the Listing Agreement, namely:-

“An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.”

4. RELATIONSHIPS TO BE CONSIDERED BY THE BOARD WHEN ASSESSING INDEPENDENCE

Generally, all facts and circumstances will be considered in determining the independence of a Director. It is not possible to provide explicitly for all circumstances that will indicate a conflict of interest or a material relationship, nor is it possible to pre-determine whether such circumstances will be assessed for certain as likely to affect Directors' independent exercise of judgment.

In assessing independence, the Board will take into consideration those relationships which have been prescribed under the Listing Agreement and Companies Act, 2013.

Directors will update the Board with any new information in relation to interests or relationships relevant to independence. Family ties and cross directorships may be relevant in considering interests and relationships which may affect independence, and should be disclosed by Directors to the Board. The

Board will assess the independence of Directors annually and will reassess determinations of independence when any new interests or relationships are disclosed by a Director.

The Board reserves its right to make such an assessment and disclose it as described in paragraph 5.

5. DISCLOSURE

The Board will make the following disclosure to shareholders in the Annual Report:

- (a) independent and non-independent Directors will be identified and the basis of the assessment of independence will be stated;
- (b) an assessment of independence for a Director who has one or more of the relationships referred to above will be specifically explained;
- (c) material relationships, associations and other business of each Director will be described (whether or not falling within the categories listed above). This will include details of any relationships or circumstances which the Board believes do not affect independence but which could be perceived as influencing the Director's judgment, objectivity or ability to act in the best interests of the Company; and
- (d) materiality adopted by the Board to assist in the assessment and determination of independence.

Independent and non-independent directors standing for re-election will also be identified in the Notice of Annual General Meeting.

6. PERFORMANCE EVALUATION OF NON-EXECUTIVE DIRECTORS

With reference to the evaluation mechanism of non-executive independent directors, it is worthwhile to see the provision of Combined Code on this subject since the non-executive independent directors are not involved on day to day operation of the company. The Combined Code requires that the performance evaluation of the non-executive independent directors should include an assessment of the individual's continuing commitment to the role, in terms of commitment of time for board and committee meetings and other duties.

7. RESPONSIBILITY & DUTIES OF INDEPENDENT DIRECTORS

- safeguard the interests of all stakeholders, particularly the minority shareholders;
- 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;
- bring an objective view in the evaluation of the performance of board and management;
- scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- balance the conflicting interest of the stakeholders;
- 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;
- moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
- strive to attend all meetings of the Board of Directors and of the Board committees of which they are members and the general meetings of the company;

- 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;
- keep themselves well informed about the company and the external environment in which it operates;
- not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- 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;
- 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;
- report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- 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.

8. APPOINTMENT OF INDEPENDENT DIRECTOR

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 fulfills the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.

- The appointment of independent directors shall be formalized through a letter of appointment which shall set out:-
 - the term of appointment;
 - 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;
 - the fiduciary duties that come with such an appointment along with accompanying liabilities;
 - provision for Directors and Officers (D and O) insurance, if any;
 - the Code of Business Ethics that the company expects its directors and employees to follow;
 - the list of actions that a director should not do while functioning as such in the company;
- 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.
- The re-appointment of independent director shall be on the basis of report of performance evaluation.
- The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

9. RESIGNATION OR REMOVAL:

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in Companies Act, 2013
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director in terms of Companies Act, 2013 and Listing Agreement.

- (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.

10. SEPARATE MEETINGS OF INDEPENDENT DIRECTORS

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. All the independent directors of the company shall strive to be present at such meeting. The independent directors of the company shall:

- 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.

11. KEY PERFORMANCE ISSUES FOR THE CONSIDERATION OF EVALUATION

The following key performance issues could be identified for the purpose of evaluation relating to the processes of the board / committees:-

- i. the frequency of meetings
- ii. the length of meetings
- iii. the administration of meeting
- iv. the number of committees and their roles
- v. the follow of information to board members and between board members
- vi. the quality and quantity of information
- vii. the selection and retirement of directors
- viii. the performance of individual director
 - personal relationship
 - the collective performance of the board / committee as a team
 - individual performance and contribution

Conclusions

This process of critical analysis of the performance of non-executive / independent directors will not only enable the directors to focus more on their area of weaknesses but it will also build on their strengths enabling them to add value to the company and thereby to the shareholders in enhancing the value creation.

So long as the process is not that of a another item on the box ticking exercise of compliance checklist and the process is really followed in spirit by the corporate in the evaluation mechanism, it would definitely turned out to be a very fruitful exercise and create greater value to all the stakeholders of the company and strengthen the governance practices.