



HINDOOSTAN MILLS LIMITED
TERMS OF APPOINTMENT OF INDEPENDENT DIRECTOR

Date: (*)

To,
(Name of Non-Executive Independent Director)
(Address)

Sub: Appointment as Non- Executive Independent Director

Dear (*),

We thank you for your confirmation that you meet the “Independence” criteria as envisaged in Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Pursuant to your confirmation, we are pleased to inform you that upon the recommendation of the Nomination & Remuneration Committee, the Board and the shareholders have approved your appointment as an Independent Director on the Board of the Company.

This letter sets out the terms of your appointment as an Independent Director. Your relationship with the Company will be that of an office-holder and not one of contract for employment in the Company.

(1) Appointment:

Your term as an Independent Director will be for an initial term upto (*) with effect from (*) subject to your meeting the criteria for being an Independent Director and not being disqualified to be Director under the applicable laws and you will not be liable to retire by rotation.

Re-appointment at the end of the term shall be based on the recommendation of Nomination & Remuneration Committee and subject to the approval of the Board and the Shareholders. Further, it is subject to your performance evaluation and you continuing to meet the independence criteria, as per the applicable provisions of the Companies Act, 2013 and Listing Agreement in this regard.

(2) Functions and Duties:

- (i) As a director of the Company, you will have all legal duties and obligations under the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges, including attendance at board meetings, annual general meetings, meetings of Independent Directors and such other additional duties, as may be agreed to, from time to time;
- (ii) As a director of the Company, you have to familiarize yourself with the relevant directors’ duties, roles and responsibilities as set out in the Code for Independent Directors under Schedule IV of Companies Act, 2013. (**Annexure I**);
- (iii) You will be required to serve on such committees, as the board may request including but not limited to Audit and/or Nomination and Remuneration and/or Stakeholders Relationship and/or Corporate Social Responsibility Committee and/or such other sub-committees of directors.

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- (iv) The Board will constitute, assign and fix terms of service for committee members. The frequency of the committee meetings and the quorum for such meetings will be governed by the applicable provisions of the Companies Act, 2013 and Listing Agreement. Recommendations of the committees are to be submitted to the Board for approval; and
- (v) You will be expected to perform your duties, whether statutory, fiduciary or common law diligently to a standard commensurate with, your functions and duties & your skills, experience and knowledge.

(3) Liability:

As an Independent Director, your liability will be there in respect of such acts of omission or commission by the Company, which had occurred with your knowledge, attributable through board processes, and with your consent or connivance or where you had not acted diligently.

(4) Time Commitment:

Considering the nature of the role a director, it is difficult for the Company to lay down specific time commitment. However, you may devote such time as is prudent and necessary for the proper performance of your role, duties and responsibilities as an Independent Director.

(5) Attendance through Video / Audio visual:

- (i) You may attend the board or committee meetings through video conferencing or other audio visual means, subject to the applicable provisions of the Companies Act 2013.
- (ii) You may make use of video, telephone, electronic mail, any other technology which permits each director to communicate with every other director, or any combination of these technologies for the purpose of call and holding directors' meetings.

(6) Directors' fees / remuneration:

- (i) A sitting fee will be paid to you for attending each meeting of the board as well as the committee meeting attended by you, as per the provisions of Section 197 of the Companies Act, 2013 and the AoA, as fixed by the board from time to time;
- (ii) You will be entitled to claim reimbursement of your travelling expenses incurred by you; and
- (iii) Independent Directors are not entitled to any 'stock option' and will not be covered by any pension scheme;

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(7) Evaluation Processes:

Your performance evaluation shall be done by the Board annually, without your participation. You will participate in reviewing the performance of other Directors and the Board as a whole.

(8) Abiding to Code of Conduct and Prevention of Insider Trading:

You will be required to abide by Code of Conduct (Business and Ethics) and Code of Conduct for prevention of Insider Trading for senior management personnel, including directors, besides Code for independent directors, as issued by the Company.

(9) Training:

You may request training program for familiarizing yourself with the business and affairs of the Company, its growth plans, the peculiarities of the industry in which it operates, its goals and expectations and long term plans and objectives.

(10) Publication of the letter of appointment:

In line with provision of sub clause 6 of Schedule IV to the Companies Act, 2013, the Company will be making public the terms and conditions of your appointment and will also be posting the same on the Company's website.

(11) Confidentiality and access to records:

- (i) Directors have a right of access to Company's documents and records, including financial records, as per the provisions of the Companies Act, 2013; and
- (ii) Any confidential information, which may come to your knowledge in the performance of your duties as a director of the Company must not be divulged, except so far as (a) it may be necessary in connection with the proper performance of your duties to the Company; (b) the Company may, from time to time, authorise you to disclose such information, as may be required by you with the condition that you will take all reasonable precautions, as may be necessary to maintain the secrecy and confidentiality of all confidential information of the Company; (c) as may be required by law to disclose.

(12) Termination:

You 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 you in the notice, whichever is later.

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Your directorship on the Board of the Company shall terminate or cease in accordance with law. Apart from the grounds of termination as specified in the Companies Act, 2013 may be terminated by the Board for violation of a Code of Conduct (Business & Ethics) or Code of Conduct for prevention of Insider Trading as applicable to Directors.

On account of any change in circumstances, if you do not to meet the criteria for “independence” as envisaged in Section 149(6) of the Companies Act, 2013 or under the provision of Clause 49 of the Listing Agreement (as amended from time to time), you shall promptly submit your resignation to the Company with effect from the date of such change in status.

(13) Conflict of interest:

By accepting this appointment, you are deemed to have confirmed that, your appointment as an Independent Director of the Company and any other position you hold including your directorships in other organizations, will not give rise to any ‘conflicts of interest’. In case you become aware of any conflict or potential conflict during the period of your appointment, you are expected to notify the same to the board.

(14) Disclosures:

- (i) You will have to submit certain information in the prescribed forms on a defined format periodically to the board;
- (ii) You will be required to disclose to the Company your interests and any matters (excluding those matters, which may be subject to legal professional privilege), which affect your independence; and
- (iii) You will be required to give a declaration that you meet the criteria of independence every financial year, as provided under Section 149 of the Companies Act, 2013 in the prescribed format. (**Annexure II**)

(15) General:

All the terms as mentioned above including your appointment, professional conduct, role and functions, duties and evaluation shall be governed by the Companies Act, 2013 and Rules made thereunder and Corporate Governance requirements under the Listing Agreement, as amended from time to time.

This Letter and any non-contractual obligations arising out of or in connection with this Letter are governed by, and shall be construed in accordance with the laws of India and subject to the exclusive jurisdiction of the Courts of India.

Yours sincerely,
For **Hindustan Mills Limited**

Chairman / Executive Director
(DIN: _____)



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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.

(Signature _____)

Name: (*)

Independent Director

DIN: (*)

Place: (*)

Date: (*)

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Annexure – I

CODE FOR INDEPENDENT DIRECTORS

In terms of the provisions of Section 149(7) of Companies Act, 2013 (the Act 2013) and the applicable provisions of Clause 49 of Listing Agreement, it is mandatory for all Independent Directors to adhere with the Code has been prescribed under Schedule IV of the Act 2013 and the same is reproduced herein below for your perusal and ready reference.

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.

(1) Guidelines on professional conduct:

An independent director shall:

- (i) uphold ethical standards of integrity and probity;
- (ii) act objectively and constructively while exercising his duties;
- (iii) exercise his responsibilities in a *bona fide* manner in the interest of the company;
- (iv) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (v) 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;
- (vi) 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;
- (vii) refrain from any action that would lead to loss of his independence;
- (viii) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (ix) assist the company in implementing the best corporate governance practices.

(2) Role and functions:

The independent directors shall –

- (i) 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;
- (ii) bring an objective view in the evaluation of the performance of board and management;
- (iii) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (iv) satisfy themselves on (a) the integrity of financial information and (b) that financial controls and the systems of risk management are robust and defensible;
- (v) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (vi) balance the conflicting interest of the stakeholders;

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- (vii) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management; and
- (viii) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

(3) Duties:

The independent directors shall -

- (i) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (ii) 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;
- (iii) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (iv) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (v) strive to attend the general meetings of the company;
- (vi) 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;
- (vii) keep themselves well informed about the company and the external environment in which it operates;
- (viii) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (ix) 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;
- (x) 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;
- (xi) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (xii) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees; and
- (xiii) 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.

(4) Manner of appointment:

- (i) The appointment process of independent directors shall be independent of the company management; The Board will ensure, while selecting independent directors, 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;

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- (ii) The appointment of independent director(s) of the company will be approved at the meeting of the shareholders;
- (iii) The Explanatory statement to be attached to the Notice of the meetings for approving the appointment will include a statement that, in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act 2013 and the rules made thereunder and that the proposed director is independent of the management;
- (iv) The appointment of independent directors shall be formalized 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) the 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) Inspection:

- (i) The terms and conditions of appointment of independent directors will be open for inspection at the registered office of the Company by any member during normal business hours.
- (ii) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

(6) Re-appointment:

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

(7) Resignation or removal:

- (i) 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;
- (ii) 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.
- (iii) 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.

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(8) Separate meetings:

- (i) 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;
- (ii) All the independent directors of the company shall strive to be present at such meeting; and
- (iii) The meeting will:
 - (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 nonexecutive directors; and
 - (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.

(9) Evaluation mechanism:

- (i) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (ii) 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.

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Annexure – II

(DECLARATION OF INDEPENDENCE)

To,

The Board of Directors,
Hindustan Mills Limited
Sir Vithaldas Chambers,
16, Mumbai Samachar Marg,
Fort, Mumbai -400 001

Dear Sirs,

Sub: Declaration under sub-section (6) of section 149 of the Companies Act, 2013

I, _____, hereby declare that, in terms of the requirements as per sub-section (6) of section 149 read with Schedule IV to the Companies Act, 2013 (the Act) and clause 49 of the Listing Agreement:

- (1) I am not a promoter nor related to the promoters or directors in the Company or its holding, subsidiary or associate company or persons occupying the management positions at the Board level or at one level below the Board of the Company.
- (2) Neither me nor my relative –
 - (a) have or had any pecuniary relationship or transaction with the company or its holding or its subsidiary or its associate companies during the current FY or two preceding FYs, to the extent of fees for participation in the board meeting and profit related commission, if any. (For relatives- pecuniary relationship or transactions of 2% or more of its gross turnover / total income or Rs. 50 lakhs, whichever is lower)
 - (b) had held the position of key management personnel or was or has been employee of the Company, its holding, subsidiary or associate company, in any of the preceding three financial years;
 - (c) was an employee or proprietor or a partner, during the three immediately preceding financial years or during the current financial year, in any of the following:
 - (i) a firm of auditors or company secretaries in practice or cost auditors or the internal audit firm of the Company or its holding, subsidiary or associate company; or
 - (ii) any legal or consulting firm that has or had any transaction with the Company or its holding, subsidiary or associate company, amounting to 10% or more of the gross turnover of such firm.
 - (d) is holding 2% or more of the total voting power of the Company;

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(3) I was not-

- (a) a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect my independence;
- (b) a Chief Executive or a director, of any non-profit organisation that receives 25% or more of its receipts from the Company, any of its promoters, directors or its holding, subsidiary or associate company or holding 2% or more of the total voting power of the Company; and

(4) I further declare that I will -

- (i) adhere to the standards as set out in the Code for independent directors as provided under Schedule IV of the Act;
- (ii) furnish such declaration, at the first meeting of the board in every financial year or whenever there is any change in the circumstances, which may affect my status as an independent director, stating that I meet or do not meet the criteria of independence, in terms of the aforesaid provisions of the statutes.

Thanking you,

Yours truly,

Name _____
Independent Director
DIN: _____

Date :
Place: