

HIL Limited

Terms & conditions of appointment of Independent Directors

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The broad terms and conditions of appointment of Independent Directors of the Company are reproduced hereunder:

1. Appointment

- 1.1. Appointment is subject to the Articles of Association of the Company. Nothing in the appointment letter shall be taken to exclude or vary the terms of the Articles of Association as they apply to director(s) of the Company.
- 1.2. Continuation of Independent Director(s) contract of appointment is also contingent on their performance and any relevant statutory provisions relating to the removal of a director.
- 1.3. Independent Director will not be liable to retire by rotation.

2. Termination

- 2.1. Notwithstanding the foregoing paragraphs, the Board may recommend removal of Independent Director to the shareholders of the Company if they:
 - (a) commit a material breach of their obligations under this letter; or
 - (b) commit any serious or repeated breach or non-observance of their obligations to the Company (which include an obligation not to breach their duties to the Company, whether statutory, fiduciary or common-law); or
 - (c) are guilty of any fraud or dishonesty or acted in a manner which, in the opinion of the Company acting reasonably, brings or is likely to bring themselves or the Company into disrepute or is materially adverse to the interests of the Company; or
- 2.2. Further Independent Director's office shall automatically on incurring any disqualification in accordance with the provisions of the Companies Act, 2013 read with rules framed there under, SEBI LODR Regulations or any applicable law, as amended from time to time or on failing to meet the criteria of independence.
- 2.3. If there are matters which arise which cause Independent Director's concern about their role they should discuss them with the Chairman or the Company Secretary of the Company. If they have any concerns that cannot be resolved, and Independent Director (s) choose to resign for that, or any other, reason, they should provide an appropriate written statement to the Chairman or the Company Secretary for circulation to the Board.

3. Time commitment

- 3.1. The Board normally meets for a minimum of 4 (four) times in a year and holds additional meetings as the occasion requires. As Independent Directors, they would also be required to attend a separate meeting of Independent Directors conducted at least once in a financial year.
- 3.2. The Company expects Independent Director(s) to devote sufficient time and attention to meet the expectations of their role as Independent Director. They will be expected to devote such time

as is necessary for the proper performance of their duties and they should be prepared to spend sufficient time for preparation for and attendance at:

- scheduled Board meetings
- scheduled meetings of the committees of the Board in which they are appointed as Member
- scheduled meeting of the independent directors
- general meetings of members including the AGM
- training and awareness sessions
- meetings as part of the Board evaluation process
- such other activity / meeting as may be required for effective discharge of their professional obligations as an independent director.

3.3. Meetings may involve them in some travel within India or overseas. Unless urgent and unavoidable circumstances prevent them from doing so, it is expected that they will attend all the meetings outlined above.

3.4. The nature of the role makes it impossible to be specific about the maximum time commitment, and there is always the possibility of additional time commitment in respect of preparation time ahead of board meeting and *ad hoc* matters which may arise from time to time, and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board, Committee or Shareholder Meetings.

3.5. By accepting this appointment, Independent Directors undertake that they are able to, and will, devote sufficient time to their duties as independent director, taking into account all other commitments they may have.

3.6. The Company recognizes the extensive demand of the time of its directors. Management, under the oversight of the chairman and fellow directors is expected to ensure that the most efficient and productive use is made of the time which the independent directors commit to the Company.

4. Role

4.1. The Board's role is to effectively represent, and promote the interests of all the stakeholders with a view to adding long-term value to the Company's stakeholders. In the normal course of events, day to day operations of the Company are left to management; the Board directs and supervises the management with regard to the business and affairs of the Company. An independent director has the same general legal responsibilities to the Company as any other director.

4.2. Independent Directors acknowledge that the Board as a whole is collectively responsible for the success of the Company. The Board:

- provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and reviews management performance;
- sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

4.3. Independent Directors acknowledge that in addition to these requirements of all directors, the role of an independent director has the following key elements:

- **Strategy** – independent directors should constructively challenge and help develop proposals on strategy.
- **Performance** – independent directors should scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- **Risk** – independent directors should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.
- **People** – independent directors 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.

4.4. Director(s) primary duties as an independent director will include:

- 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;
- scrutinise 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;
- safeguard the interests of all stakeholders, particularly the minority shareholders;
- 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, undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company;
- 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;
- strive to attend all meetings of the Board of Directors and of the Board committees of which he/she is a member;
- participate constructively and actively in the committees of the Board in which they are a chairperson or member;
- strive to attend 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;
- act within their 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.

5. Fiduciary Responsibility of the Independent Director

- 5.1. The Independent Director of the Company shall act in accordance with the articles of association of the Company.
- 5.2. The Independent Director of the Company shall act in good faith 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 particularly the minority shareholders, the community and for the protection of environment.
- 5.3. The Independent Director of the Company shall exercise his/her duties with due and reasonable care, skill and diligence.
- 5.4. The Independent Director of the Company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company in terms of provisions of the Companies Act, 2013 read with rules framed there under, SEBI LODR Regulations and other applicable laws, as amended from time to time.
- 5.5. The Independent Director of the Company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making undue gain, he shall be liable to pay an amount equal to that gain to the Company.
- 5.6. The Independent Directors of the Company must act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to -
- the likely consequences of any decision in the long term;
 - the interests of the Company's employees;
 - the need to foster the Company's business relationships with suppliers, customers and others;
 - the impact of the Company's operations on the community and the environment;
 - the desirability of the Company maintaining a reputation for high standards of business conduct; and
 - the need to act fairly as between members of the Company.
- 5.7. Unless specifically authorized to do so by the Board, a director of the Company must not enter into any legal or other commitment or contract on behalf of the Company.

5.8. Such other duties as may be specified by the Companies Act, 2013 read with the rules framed there under and SEBI LODR Regulations, as amended from time to time.

6. Code for Independent Directors, Business Ethics and Price Sensitive Information

6.1. As Independent Director(s), they are required to abide by the provisions of “Code for Independent Directors” (“**Code**”) specified in schedule IV of Companies Act, 2013, as amended from time to time, enclosed herewith as **Annexure -I** to the letter. Compliance with the Code would *inter alia* require them to:

- a) uphold ethical standards of integrity and probity;
- b) act objectively and constructively while exercising their duties;
- c) exercise their responsibilities in a bona fide manner in the interest of the Company;
- d) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- e) not allow any extraneous considerations that will vitiate their 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;
- f) not abuse their 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;
- g) refrain from any action that would lead to loss of their independence; where circumstances arise which result in loss of independence, inform the Board immediately;
- h) assist the Company in implementing the best corporate governance practices.

6.2. During their period of appointment, they are also required to comply with the provisions of the SEBI LODR Regulations and the statutory regulations.

6.3. Independent Director attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information, and in particular to the Rules, Regulations and guidelines issued by the Securities & Exchange Board of India, the Stock Exchanges and the Prohibition of Insider Trading Regulations. He should avoid making any statements that might risk a breach of these requirements. If in doubt, He may please contact the chairperson or the company secretary for any guidance in this behalf.

6.4. The Company has also formulated a “Code of Conduct to regulate, monitor and report trading by designated persons and immediate relative of Designated Persons in securities of HIL Limited” (“**Code of Conduct**”). Code of Conduct, as amended by the Board from time to time, is required to be observed by all the directors and designated employees, and their relatives. A copy of the “Code to Conduct” is enclosed herewith as **Annexure -II** to the letter. Apart from the Code of Conduct, they will also abide by the other statutory policies and codes of the Company during their tenure as an independent director.

7. Committee Involvement

- 7.1. Board committees are formed when it is efficient or necessary to facilitate effective decision-making. From time to time, as deemed fit by the Board, Independent Directors may be requested by the Board to serve on one or more Board committees as a member or Chairperson.

8. Remuneration and Expenses

- 8.1. As an Independent Director(s), they are eligible for sitting fees for attending meetings of the Board or committee thereof as decided by the Board from time to time. They shall also be eligible for receipt of profit related commission as may be approved by the members and Board from time to time; however they shall not be entitled to any stock option.
- 8.2. The Company will reimburse them for all expenses, as may be incurred by them for participation in the Board and other meetings, such as accommodation, travelling expenses etc., reasonably and properly incurred and documented.
- 8.3. All fees payable shall be subject to income tax and other statutory deductions.
- 8.4. On termination of this appointment, they shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date.

9. Disclosures

- 9.1. During Independent(s) Director tenure, they undertake to provide all the mandatory disclosure to the Company at the first meeting in the beginning of the financial year and in case of any change:

- **Form MBP-1 for disclosure of interest by Directors** [Pursuant to Section 184(1) of the Companies Act, 2013 read with Rule 9(1) of Companies (Meetings of Board and its Powers) Rules, 2014];
- **Form DIR-8 for non-applicability of disqualification by Directors** [Pursuant to Section 164(2) of the Companies Act, 2013 read with Rule 14(1) of Companies (Appointment and Qualification of Directors) Rules, 2014];
- **Declaration of Independence from Independent Directors** [Section 149(7) of the Companies Act, 2013 and Regulation 25(8) of SEBI LODR Regulations confirming that they meet the criteria of independence as provided in Section 149(6) of the 2013 Act and Regulation 16(1)(b) of SEBI LODR Regulations and that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence] ; and
- **Declaration for not barred /disqualified from being appointed as Director by any orders of SEBI or any other statutory authorities:** [Regulation 34(3) read with Schedule V(C)(10)(i) of SEBI LODR Regulations confirming that they are not barred/ disqualified from being appointed as Director of the Company either by any orders of SEBI or any other statutory authorities as required under].

10. Board and Individual Director Evaluation Processes

- 10.1. The performance of the Board as a whole, its committees and individual directors is evaluated annually. If, during the tenure of their directorship, there are any matters which cause their concern about their role they may discuss them with the Chairman of the Board. Independent Director may also seek the assistance of the key managerial personnel's of the Company, as and when required, for effectively discharging of their duties.

11. Outside Interests Including Directorships

- 11.1. It is accepted and acknowledged that Independent Directors may have business interests other than those of the Company. They are requested to contact the company secretary as soon as possible to arrange for the disclosures of their interests, direct or indirect as a shareholder, director, partner or owner of other companies, body corporate, firms or other entities as required under the Companies Act, 2013 read with rules framed there under and under SEBI LODR Regulations, as may be amended from time to time.
- 11.2. The Board of the Company, on the basis of certificate of independence submitted by Independent Directors, has determined them to be independent according to SEBI LODR Regulations read with Section 149 and Schedule IV of the Companies Act, 2013.
- 11.3. Independent Directors ensure that the Company is kept informed of any changes to their interests from time to time.
- 11.4. In the event that Independent Directors become aware of any further potential or actual conflicts of interest, these should be disclosed to the company secretary as soon as they become apparent.
- 11.5. Independent Directors will disclose any direct or indirect interest which they may have in any matter being considered at a board meeting or committee meeting and, save as permitted under the articles of association, applicable provisions of the Companies Act 2013 read with the rules and regulations framed there under and under SEBI LODR Regulations, Independent Directors will not vote on any resolution of the Board, or of one of its committees, on any matter where they have any direct or indirect interest.

12. Shareholdings by Directors in the Company

- 12.1. Directors when buying or selling shares are expected to strictly observe the provisions of the Company's articles of association, the Company's own internal rules including the "Code of Conducts" framed by Company and all relevant legislative and regulatory procedures including, in particular, stock exchange listing requirements.

13. Induction and Development Processes

- 13.1. As soon as practicable, the Company will provide a comprehensive, formal and tailored induction programme aimed at broadening their understanding of the Company, its business, and the environment and markets in which it operates. As part of the programme, they will meet key management and receive essential Board and Company information. Independent Directors will be expected to make themselves available for the purposes of the induction. The company secretary will be in touch with further details.
- 13.2. Independent Directors are expected to remain updated on how to best discharge their responsibilities as directors of the Company including keeping abreast of changes and trends in economic, political, social, financial and legal climates and governance practices.

14. Directors and Officers Liability Insurance

- 14.1. The Company provides all its directors with, and pays the premiums for, Directors and Officers Liability insurance cover, while acting in their capacities as directors. The present amount of the cover is Rupees Twenty Crore.
- 14.2. Independent Directors may obtain a copy of the relevant policy from the company secretary and satisfy themselves as to the suitability and extent of the cover.

15. Confidentiality

- 15.1. All information acquired during Independent Directors appointment is confidential to the Company and should not be released, communicated, nor disclosed either during their appointment or following the expiry of their term or vacation (by whatever means) to third parties except as permitted by law and with prior clearance from the Chairman/ Company Secretary.
- 15.2. This restriction shall cease to apply to any confidential information which may (other than by reason of their breach) become available to the public generally.
- 15.3. Independent Directors acknowledge the need to hold and retain Company information (in whatever format they may receive it) under appropriately secure conditions.

16. Changes in personal details

- 16.1. Independent Directors shall advise the company secretary promptly of any change in address or other personal contact details.

17. Return of property

- 17.1. Upon termination of Independent Directors appointment with the Company (for whatever cause), they shall deliver to the Company all documents, records, papers or other company's property which may be in their possession or under their control, and which relate in any way to the business affairs of the Company, and they shall not retain any copies thereof.

18. Data protection

- 18.1. By signing this letter, Independent Directors consent to the Company holding and processing information about them for legal, personnel, administrative and management purposes and in particular to the processing of any sensitive personal data or information (as defined in the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011) as applicable, information relating to:
 - (i) password;
 - (ii) financial information such as Bank account or credit card or debit card or other payment instrument details ;
 - (iii) physical, physiological and mental health condition;
 - (iv) sexual orientation;
 - (v) medical records and history;
 - (vi) Biometric information;
 - (vii) any detail relating to the above clauses as provided to body corporate for providing service; and

(viii) any of the information received under above clauses by body corporate for processing, stored or processed under lawful contract or otherwise.

18.2. Independent Directors acknowledge that any information that is freely available or accessible in public domain or furnished under the Right to Information Act, 2005 or any other law for the time being in force shall not be regarded as sensitive personal data or information for the purposes of those rules.

18.3. Independent Directors consent to the transfer of such personal information to other offices the Company may have or to other third parties, whether or not outside the Union of India, for administration purposes and other purposes in connection with their appointment, where it is necessary or desirable for the Company to do so.

19. Law

19.1. Independent Directors engagement with the Company is governed by and shall be construed and interpreted in accordance with the laws of India and their engagement shall be subject to the jurisdiction of the courts of Delhi, India.

Annexure-I

CODE FOR INDEPENDENT DIRECTORS

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment 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) scrutinise 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) act within their 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 fulfils 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 three months 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.

VII. Separate meetings:

(1) The independent directors of the company shall hold at least one meeting in a financial 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.