

HINDUSTHAN MERCANTILE LIMITED

CIN: L67190WB1944PLC011627

POLICY ON APPOINTMENT, REMOVAL, AND INDEPENDENCE OF DIRECTOR

In terms of Section 178 of the Companies Act, 2013, rules made thereunder and the Listing Regulations, as amended from time to time, the Nomination and Remuneration Committee ("NRC") has formulated this policy on appointment, removal and independence of Directors ('the Policy'). This policy shall act as a guideline for determining qualifications, positive attributes, independence of a Director and matters relating to the appointment, and removal of Directors.

Nomination and Remuneration Committee would request candidature from the database maintained by Company or list of potential candidates shared by the external consultants or any other source as deemed appropriate by the Committee. NRC members (either jointly/individually, as delegated) shall meet the potential candidate and assess his/her suitability for the role. NRC to recommend the appointment of shortlisted candidate to the Board for its consideration.

The Nominations and Remuneration Committee works with the Board to determine the appropriate characteristics, skills, and experience for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and experience. Characteristics expected of all directors include independence, integrity, high personal and professional ethics, sound business judgment, ability to participate constructively in deliberations and willingness to exercise authority in a collective manner. In evaluating the suitability of individual Board members, the Committee considers many factors, including general understanding of finance, operations management, public policy, legal, governance and other disciplines relevant to the success of company in today's business environment.

The Board evaluates each individual in the context of the Board as a whole, with the objective of having a group that can best perpetuate the success of the Company's business and represent stakeholder's interests through the exercise of sound judgment, using its diversity of experience.

In determining whether to recommend a director for re-election/ removal, the Committee also considers the director's past attendance at meetings, participation in meetings and contributions to the activities of the Board, and the results of the most recent Board self-evaluation.

A Director is considered independent if the Board makes an affirmative determination after a review of all relevant information. An Independent Director in relation to a company means a director other than a Managing Director or a Whole Time Director or a Nominee Director –

- i. who in the opinion of the Board, is a person of integrity and shall possess relevant expertise and experience.
- ii. who is or was not a promoter of the Company or its holding, subsidiary or associate Company or was not a member of the Promoter Group of the Company.
- iii. who is not related to promoters or Directors in the Company, its holding, subsidiary, or associate Company.
- iv. Apart from receiving Director's remuneration, or apart from having transaction not exceeding 10% of his total income or such amount as may be prescribed, has or had no material pecuniary relationships with the Company, its holding, its subsidiaries, its associate companies, its promoters, or Directors, during the current financial year or immediately preceding two financial years.
- v. none of whose relatives has or had pecuniary relationships or transactions with the Company, its holding (s), subsidiary or associate Company, or their promoters, or Directors, amounting to 2% or more of its gross turnover or total income or INR 50 Lakhs or such amount as the Company may prescribe, whichever is lower, during the two immediately preceding financial years or during the current financial year.

vi. None of whose relatives -

- a. is holding any security of or interest in the Company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

- b. is indebted to the Company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
- c. has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or
- d. has any other pecuniary transaction or relationship with the Company, or its subsidiary, or its holding or associate company amounting to two per cent. Or more of its gross turnover or total income singly or in combination with the transactions referred to in sub clause (i), (ii) or (iii);]

vii. who, neither himself / herself nor any of his / her relatives-

- a. holds or has held the position of a KMP or is or has been employee of the Company or its holding, subsidiary or associate Company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed.
Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.
- b. is or has been an employee or proprietor or a partner, in any of the 3 financial years immediately preceding the financial year, in which he is proposed to be appointed of: - a firm of auditors or Company secretaries in practice or cost auditors of the Company or its holding, subsidiary or associate Company; - any legal or a consulting firm that has or had any transaction with the Company, its holding, subsidiary or associate Company amounting to 10%. or more of the gross turnover of such firm;
- c. holds together with his relatives 2% or more of the total voting power of the Company ("Substantial Shareholder");
- d. is a Chief Executive or Director, by whatever name called, of any non-profit organization that receives 25%, or more of its receipts from the Company, any of its promoters, Directors or its holding, subsidiary or associate Company or that holds 2%, or more of the total voting power of the Company. held office for more than 2 consecutive terms on the Board of the Company
- e. is a material supplier, service provider or customer or a lessor or a lessee of the Company

viii. who is not be less than 21 years of age.

ix. who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director

x. who possesses such other qualifications as may be prescribed by the Companies Act, 2013.

This Policy will be reviewed and reassessed by the Committee as and when required and appropriate recommendations shall be made to the Board to update this Policy based on changes that may be brought about due to any regulatory amendments or otherwise.