

HINDUSTHAN MERCANTILE LIMITED

CIN: L67190WB1944PLC011627

POLICY ON TERMS AND CONDITIONS OF APPOINTMENT OF INDEPENDENT DIRECTOR

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

Appointment

The appointment will be for the period mentioned against their respective names ('Term'). The Company may disengage Independent Directors prior to completion of the Term subject to compliance of relevant provisions of the 2013 Act.

As Independent Directors, they will not be liable to retire by rotation. Reappointment at the end of the Term shall be based on the recommendation of the Nomination and Remuneration Committee and subject to the approval of the Board and the shareholders. Their reappointment would be considered based on the outcome of the performance evaluation process and the directors continuing to meet the independence criteria.

The directors may be requested to be a member / Chairman of any one or more Committees of the Board which may be constituted from time to time.

Role, duties and responsibility

- a. As members of the Board, they along with the other Directors will be collectively responsible for meeting the objectives of the Board which include:
 - Requirements under the Companies Act, 2013
 - "Responsibilities of the Board" as outlined in the Listing Agreement,
 - Accountability under the Director's Responsibility Statement.
- b. They shall abide by the 'Code For Independent Directors' pursuant to section 149(8) of the 2013 Act, and duties of directors as provided in the 2013 Act (including Section 166) and the relevant provisions of Listing Agreement.
- c. They are particularly requested to provide guidance in the area of expertise.

Time Commitment

They agree to devote such time as is prudent and necessary for the proper performance of their role, duties and responsibilities as an Independent Director.

Remuneration

As Independent Directors, they shall be paid sitting fees for attending the meetings of the Board and the Committees of which they are Members. The sitting fees for attending each meeting of the Board and its Committees would be as determined by the Board from time to time.

Further, the Company may pay or reimburse to the Directors such expenditure, as may have been incurred by them while performing their role as Independent Directors of the Company. This could include reimbursement of expenditure incurred by them for accommodation, travel and any out of pocket expenses for attending Board/ Committee meetings, General Meetings, court convened meetings, meetings with shareholders/ creditors/ management, site visits, induction and training (organized by the Company for Directors) and in obtaining, subject to the expense being reasonable, professional advice from independent advisors in the furtherance of your duties as Independent Directors.

Code of Conduct

Unless specifically authorised by the Company, they shall not disclose company and business information to constituencies such as the media, the financial community, employees, shareholders, agents, franchisees, dealers, distributors and importers.

Additionally, they shall not participate in any business activity which might impede the application of their independent judgment in the best interest of the Company.

All Directors are required to sign a confirmation of acceptance of the Code of Conduct for Non-Executive Directors as adopted by the Board on annual basis.

Training and Development

The Company may, if required, conduct a formal training programme for its Independent Directors which may include any or all of the following:

- Board roles and responsibilities, whilst seeking to build working relationship among the Board Members.
- Familiarization with financial matters, management team and business operations.
- Meetings with stakeholders, visits to business locations and meetings with senior and middle management.

Performance Appraisal/ Evaluation Process

As members of the Board, their performance as well as the performance of the entire Board and its Committees will be evaluated annually. Evaluation of each director shall be done by all the other directors. The criteria for evaluation shall be disclosed in the Company's Annual Report. However, the actual evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board / Committee.

Disclosures

During the Term, they agree to promptly notify the Company of any change in their directorships, and provide such other disclosures and information as may be required under the applicable laws. They also agree that upon becoming aware of any potential conflict of interest with their position as Independent Director of the Company, they shall promptly disclose the same to the Chairman and the Company Secretary.

During your Term, they agree to promptly provide a declaration under Section 149(7) of the 2013 Act, upon any change in circumstances which may affect their status as an Independent Director.

During the Term, they shall promptly intimate the Company Secretary and the Registrar of Companies in the prescribed manner, of any change in address or other contact and personal details provided to the Company.

Disengagement

They 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 them in the notice, whichever is later. The Company may disengage Independent Directors prior to completion of Term (subject to compliance of relevant provisions of the 2013 Act) upon violation of meeting criteria of Independence, violation of duties as envisaged in the Companies Act, 2013, Listing Regulations or the Code of Conduct.

The duties of the Independent Director as laid down in Schedule IV to the Companies Act, 2013 are as follows:

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 behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy; and
12. acting within his 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.

Code of Conduct for Non-Executive Directors

Non-Executive Directors of a Company will:

- Always act in the interest of the company and ensure that any other business or personal association which they may have, does not involve any conflict of interest with the operations of the company and his role therein.
- Comply with all applicable laws and regulations of all the relevant regulatory and other authorities as may be applicable to such Directors in their individual capacities.
- Safeguard the confidentiality of all information received by them by virtue of their position.

The Independent Directors shall –

- 1) undertake appropriate induction, regularly update knowledge and familiarity with the company;
- 2) strive to attend meetings of the Board of Directors and committees of which he is a member;
- 4) participate as constructive and active member in the committees of the Board
- 5) strive to attend the general meetings of the company;
- 7) keep themselves well informed about the company and the external environment in which it operates;
- 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) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- 13) not disclose confidential information, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.