

KATARE SPINNING MILLS LIMITED

Terms and conditions of appointment of Independent Directors

[Regulation 46 & 62 of the Securities and Exchange Board
of India (Listing Obligations and Disclosure Requirements)
Regulations, 2015]

Format of Appointment letter with terms and conditions of appointment of Independent Directors

Date

To,

Name

Address:

Dear Sir / Madam,

Sub: Appointment as an Independent Director on the Board of the Company

We are pleased to inform you that in the board meeting held on ----- of the Board of Directors of the Company have approved your appointment as a Non- Executive Independent Director of the Company with respect to approval in ensuring General Meeting. This letter confirms your appointment as a Non-executive Independent Director of the Company and outlines the terms of the Appointment as follows:

1. Appointment/Re-appointment & Term of Appointment

- a) In accordance with the provisions of the Companies Act, 2013 and other applicable laws, you will serve as Independent Director of the Board of the Company.
- b) The Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the SEBI (LODR) regulations, 2015. Accordingly, the Independent Directors will serve for not more than two terms of up to five consecutive years each on the Board of the Company. The Company is at liberty to disengage Non Executive Independent Director earlier subject to compliance of relevant provisions of Companies Act, 2013.

The term Independent Director should be construed as defined under the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015.

2. Board Committees:

The Board of Directors (the Board) may, if it deems fit, invite you for being appointed on one or more existing Board Committees or any such Committee that is set up in the future. Your appointment on such Committee(s) will be subject to the applicable regulations.

3. Time Commitment:

As a Non-Executive Independent Director you are expected to bring objectivity and independence of view to the Board's discussions and to help provide the Board with effective leadership in relation to the Company's strategy, performance, and risk management as well as ensuring high standards of financial probity and corporate governance. You will be expected to attend Board,

Board Committees to which you may be appointed and Shareholders meetings and to devote such time to your duties, as appropriate for you to discharge your duties effectively.

By accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations from your role to the satisfaction of the Board.

4. Professional Conduct

As an independent director you shall:

- uphold ethical standards of integrity and probity;
- act objectively and constructively while exercising your duties;
- exercise your responsibilities in a bona fide manner in the interest of the company;
- devote sufficient time and attention to your professional obligations for informed and balanced decision making;
- not allow any extraneous considerations that will vitiate your 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;
- not abuse your 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;
- refrain from any action that would lead to loss of your independence;
- where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly; and
- Assist the company in implementing the best corporate governance practices.

5. Role and Functions of Independent Directors

Your role and functions will be those normally required of a Non-Executive Independent Director under the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015.

You as an 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) scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- iv) satisfy yourself on the integrity of financial information and 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;
- vii) 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;
- viii) Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

6. Duties of Independent Directors

Your duties will be those normally required of a Non-Executive Independent Director under the Companies Act, 2013 and the LODR Regulations.

You as an independent directors shall:

- i) undertake appropriate induction and regularly update and refresh your 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 you are a member;
- iv) participate constructively and actively in the committees of the Board in which you are chairperson or member;
- v) strive to attend the general meetings of the company;
- i) where you 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;
- ii) keep themselves well informed about the company and the external environment in which its operates;
- iii) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- iv) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure yourself that the same are in the interest of the company;
- v) 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;
- vi) report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- vii) acting within your authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- viii) 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.

7. Director's Fees / Remunerations

- i) As an Independent Director you shall be remunerated by way of sitting fees for attending the meetings of the Board and the Committees of which you are a member as fixed by the Board from time to time within the limits as per the provisions of the Companies Act 2013 and the rules made there under.
- ii) In addition to sitting fees, the Company will for the period of your appointment, reimburse you for travel, hotel and other incidental expenses incurred by you in the performance of your role and duties.

8. Benefit of Training

The Company will, as may be required, support Directors to continually update their skills and knowledge and improve their familiarity with the company and its business by arranging /funding training programs.

9. Dealing in Shares and Code of Conduct

- i) Directors are prohibited from dealing in the Company's shares during the period when the trading window is closed. You are required to comply with the applicable insider trading laws and regulations.
- ii) You are also required to abide by the Code of Conduct and Ethics as set out by the Company. Any contravention of the Code will attract penalties as mentioned in the Code or as per relevant Act and rules, as applicable to the Company and its Directors

10. Conflict of Interest

- i) It is accepted and acknowledged that you may have business interests other than those of the Company. As a condition to your appointment commencing, you are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form at the time of your appointment.
- ii) In the event that your circumstances seem likely to change and might give rise to a conflict of interest or, when applicable, circumstances that might lead the Board to revise its judgment that you are independent, this should be disclosed to the Chairman of the company.

11. Confidentiality

All information acquired during your appointment is confidential to the Company and should not be released, either during your appointment or following termination (by whatever means) to third parties without prior clearance from the Chairman unless required by law or by the rules of any stock exchange or regulatory body. On reasonable request, you shall surrender any documents and other materials made available to you by the Company.

12. Performance Evaluation

The performance evaluation of independent directors & other directors of the board will be undertaken on annual basis as per the provisions of the Companies Act 2013 & SEBI (LODR) Regulations, 2015.

13. Disclosure of Interest

The Company must include in its Annual Accounts a note of any material interest that a Director may have in any transaction or arrangement that the Company has entered into. Such interest should be disclosed not later than when the transaction or arrangement comes up at a Board meeting so that the minutes may record your interest appropriately and our records are updated. A general notice that you are interested in any contracts with a particular person, firm or company is acceptable.

14. Termination

- i) You may resign from your position at any time and should you wish to do so, you are requested to serve a reasonable written notice on the Board.
- ii) If at any stage during the Term, there is a change that may affect your status as an Independent Director as envisaged in Section 149(6) of the 2013 Act or, if applicable, you fail to meet the criteria for “independence” under the provisions of LODR regulations, you agree to promptly submit your resignation to the Company with effect from the date of such change.
- iii) Your appointment may also be terminated / cease in accordance with the provisions of law and the Articles of Association of the Company from time to time in force.

15. Acceptance of Appointment

If you are willing to accept these terms of appointment relating to your appointment as a Non- executive Independent Director of the Company, kindly confirm your acceptance of these terms by signing and returning to us the enclosed copy of this letter.

For and on behalf of the Board of Directors
KATARE SPINNING MILLS LIMITED

KISHORE KATARE
MANAGING DIRECTOR
(DIN- 00645013)

Place: Solapur
Date:

I hereby acknowledge receipt of and accept the terms set out in this letter.

Signed
Mr. -----
(DIN- -----)
Date:

Annexure – 1

SECTION 166 OF THE COMPANIES ACT, 2013

- (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
- (2) A director of a 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, and the community and for the protection of environment.
- (3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (4) A director of a 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.
- (5) A director of a 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 any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (6) A director of a company shall not assign his office and any assignment so made shall be void.
- (7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

Annexure - 2

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. scrutinize 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 behavior, 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 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) 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 fulfills 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.