

# CREAMLIN DAIRY PRODUCTS LIMITED

CIN: U15201TG1986PLC006912



## Terms and Conditions of Appointment of Independent Directors

### I. APPOINTMENT

The term Independent Director should be construed as defined under the Companies Act, 2013 and code of conduct as per Schedule IV of the Act. Accordingly, the Independent Directors (IDs) will serve for not more than two terms of five 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 Act. An ID shall not be liable to retire by rotation.

Re-appointment at the end of the term shall be based on the approval of the Board and Shareholders. IDs re-appointment would be considered by the Board based on the outcome of the performance evaluation process and IDs continuing to meet the independence criteria.

### II. COMMITTEES:

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

As per the Board's current assessment, following committees have been identified under the Companies Act where the IDs shall become the members.

- (a) Audit Committee
- (b) Nomination and Remuneration Committee
- (c) Corporate Social Responsibility Committee

### **III. ROLES AND DUTIES:**

- a. Role and duties will be those normally required of a Non-Executive Independent Director under the Companies Act, 2013. As member of the Board IDs along with other Directors will be collectively responsible for meeting the objectives of the Board which include:
  - To act in accordance with the Companies Act, 2013 and Articles of Association of the Company.
  - To 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 interest of the Company.
  - To discharge duties with due and reasonable care, skill and diligence.
  - Not to involve in a situation in which IDs may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
  - Not to achieve or attempt to achieve any undue gain or advantage either for self or to relatives, partners or associates.
  - Not to assign office as Director and any assignments so made shall be void.
- b. IDs shall abide by the Code for IDs as outlined in Schedule IV to section 149 (8) of the Act and duties provided in the Act ). For ready reference, the relevant provisions have been extracted and attached as Annexure.
- c. Independent Director shall be responsible for providing guidance in the area of his/her expertise.

### **IV. REMUNERATION:**

IDs will be paid such remuneration by way of sitting fees for meetings of the Board and its Committees as may be decided by the Board and approved by the Shareholders from time to time. Further, IDs will also be paid remuneration by way of commission as may be approved by the Board and the Shareholders from time to time.

### **V. REIMBURSEMENT OF EXPENSES**

In addition to the remuneration described in paragraph 4 the Company will, for the period of appointment, reimburse IDs for travel, hotel and other incidental expenses incurred in the performance of role and duties.

### **VI. D & O INSURANCE**

The Company maintains a Directors and Officers Insurance Policy (D & O Policy) to pay for the personal liability of the Directors and officers for claim made against them while serving on the Board and / or as an officer of the Company. It is intended that the Company will assume and maintain such cover for the full term of IDs appointment.

### **VII. CONFIDENTIALITY**

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

### **VIII. DISCLOSURE, DIRECTORSHIPS AND BUSINESS INTEREST**

During the Term, IDs agree to promptly notify the Company of any change in directorships, and also provide such other disclosures and information as may be required under the applicable laws. IDs also agree that upon becoming aware of any potential conflict of interest with the position as Independent Director of the Company, IDs shall promptly disclose the same to the Board. IDs shall confirm on the date of appointment that IDs have no such conflict of interest issues.

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

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 no later than when the transaction or arrangement comes up at a Board meeting so that the minutes may record interest appropriately. A general notice that IDs interested in any contracts with a particular person, firm or company is acceptable.

### **IX. CHANGES OF PERSONAL DETAILS**

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

### **X. TERMINATION**

- a. IDs may resign from position at any time and should IDs wish to do so, IDs are requested to serve written notice on the Board.
- b. Continuation of appointment is contingent on IDs getting re-elected by the shareholders in accordance with provisions of Companies Act, 2013 and the Articles of Association of the Company, from time to time in force. IDs will not be entitled to compensation if the shareholders do not re-elect the ID at any time.
- c. IDs appointment may also be terminated in accordance with the provisions of the Articles of Association of the Company from time to time in force.

### **XI. GOVERNING LAW**

This agreement is governed by and will be interpreted in accordance with Indian law and the engagement shall be subject to the jurisdiction of the Hyderabad courts.

**SCHEDULE IV**  
[Pursuant to Section 149(8) of the Companies Act, 2013]  
**CODE FOR INDEPENDENT DIRECTORS**

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.

**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 control 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) 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.

### **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 a period of not more than one hundred and eighty days 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 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.