

Ref: KGL/24<sup>th</sup> AGM/10062016

Date: 10<sup>th</sup> June, 2016

To,

**Shri. C. P. Philipose**

(DIN 01125157)

146, Olangattu House, V/183,

Kunnathunad Village

Kumarapuram P.O Ernakulam - 683565

Kerala

Dear Shri. C P Philipose,

At the 24<sup>th</sup> Annual General Meeting of the Company, the shareholders have appointed you as Independent Director as per the provisions of the Companies Act, 2013, on the Board of Directors of Kitex Garments Limited (hereinafter referred to as KGL or the Company) with effect from 10<sup>th</sup> June, 2016. This letter of appointment sets out the terms and conditions covering your appointment as per the relevant provisions of the Companies Act, 2013 which are as follows:

### **1. Appointment**

1.a Subject to the provisions of Section 149 and 152 and other applicable provisions of the Companies Act, 2013 ('Act') read with Regulation 16 and other applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time and the Companies (Appointment and Qualification of Directors) Rules, 2014 ('Rules'). You will be appointed as a Non-Executive Independent Director on the Board of Directors of KGL with effect from 10<sup>th</sup> June, 2016.

1.b. Your term of appointment is for a period of 5 (five) years commencing from 10<sup>th</sup> June, 2016 and ending on 9<sup>th</sup> June, 2021.

1.c. The company has adopted the provisions with respect to appointment and tenures of Independent Directors which is consistent with the Companies Act, 2013 and the Listing Agreement. Accordingly the Independent Directors will server or not more than two terms of five years each on the Board of the Company. The Company is at liberty to dis-engage Non-Executive Independent Director earlier subject to compliance of relevant provisions of Companies Act, 2013.

## **2. 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. However we confirm your continuance on the following committees: **Audit Committee - Member**

## **3. Time Commitment**

3.a. As a Non-Executive 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. The Board meets at least four times in a year. The audit committee also meeting at least four times in a year. Besides, there are other committee meetings like Nomination and Remuneration Committee, Stakeholder's Relationship Committee and Corporate Social Responsibility Committee meetings. You will be expected to attend Board, Board Committees to which you may be appointed as member and shareholders meetings and to devote such time to your duties, as appropriate for you to discharge your duties effectively, Ordinarily, all meetings are held in Kizhakkambalam, Kochi, Kerala State.

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

## **4. Role and Duties**

Your role and duties will be those normally required of a Non-Executive Independent Director under the Companies Act, 2013 and the listing agreement. There are certain duties prescribed by the 'Act' for all Directors, both executive and non-executive, which are fiduciary in nature and are as under:

- I. You shall act in accordance with the Company's Articles of Association.
- II. You 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 interest of the Company.
- III. You shall discharge your duties with due and reasonable care, skill and diligence.
- IV. You shall not involve yourself in a situation in which you may have a director or indirect interest those conflicts, or possible may conflict, with the interest of the Company. Please refer to clause 7 for full explanation on conflict of interest.
- V. You shall not achieve or attempt to achieve any undue gain or advantage either to yourself or to your relatives, partners or associates.
- VI. You shall not assign your office as Director or any assignments so made shall be void.

In addition to the above requirements applicable to all Directors, the role of the Non-Executive Director has the following key elements:

**Strategy:** Non-Executive Independent Directors should constructively challenge and help develop proposals on strategy;

**Performance:** Non-Executive Directors should scrutinize the performance of management in meetings agreed goals and objectives;

**Risk:** Non-Executive 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:** Non-Executive Independent Directors are responsible for determining appropriate levels of remuneration of Executive Directors, Key Managerial Personnel and Senior Management Personnel and have a prime role in appointing and where necessary, removing Executive Directors and Senior Management Personnel and in succession planning;

**Reporting:** Non-Executive Independent Directors take responsibility for the processes for accurately reporting on performance and the financial position of KGL; and

**Compliance:** Non-Executive Independent Directors should keep governance and compliance with the applicable legislation and regulations under review and the conformity of KGL practices to accepted norms.

## **5. Status of Appointment**

5.a You will not be an employee of the Company and this letter shall not constitute a contract of employment. You 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.

5.b The sitting fees presently paid to the Non-Executive Independent Directors is Rs.7,500/- per meeting of the Board and Rs.5,000/- for other committees of the Board. All taxes and levies due on such payments will be deducted before disbursement of the same from time to time.

## **6. Reimbursement of Expenses**

In addition to the remuneration described in paragraph 5, the company will , for the period of your appointment, reimburse you for travel, hotel and other incidental expenses incurred by you in performance of your role and duties.

## **7. Conflict of Interest**

7.a. 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.

7.b 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 both the Chairman & Managing Director and the Company Secretary.

## **8. Confidentiality**

All information acquired during your appointment is confidential to KGL 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 KGL.

## **9. Induction**

Immediately after your appointment, you will be invited to attend an initial induction session and thereafter, ongoing training and familiarization sessions, including briefing from management and site visits. Please avail yourself of these opportunities as fully as is appropriate to your personal circumstances.

## **10. Evaluation**

The Company will carry out an evaluation of the performance of the Board as a whole, Board Committee and Directors on an annual basis. Your appointment and re-appointment on the Board shall subject to the outcome of the yearly evaluation process.

## **11. Insurance**

KGL has Directors' and Officers' liability Insurance and it is intended that KGL will assume and maintain such cover for the full terms of your appointment.

## **12. Independent Professional Advice**

There may be occasions when you consider that you need professional advice in furtherance of your duties as a Director and it will be appropriate for your to consult independent advisers at the Company's expense. The Company will reimburse the full cost of expenditure incurred in accordance with the Company's policy.

### **13. Disclosure of Interest and Annual Declarations**

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 in form MBP-1 under Section 184(1) of Companies Act, 2013 that you are interested in any contracts with a particular person, firm or company is acceptable.

You shall give an Annual declaration as required under Section 149(7) of the Companies Act, 2013 and the rules made thereunder and clause 49 of Listing agreement with stock exchanges. Besides these you shall also provide the following disclosures as required under Companies Act, 2013 viz.,

- a) Consent to act a Director in form DIR-2
- b) Intimation in form No.DIR-8 regarding no disqualification under Companies Act, 2013

### **14. Code of conduct**

During the tenure of your appointment, you are required to comply with the code of conduct adopted by the Board of Directors and to comply with Schedule IV of the Companies Act, 2013 and applicable clauses of the Listing Agreement, SEBI Rules and Regulations for prohibition of Insider trading and other related issued from time to time.

### **15. Termination**

- a) 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.
- b) Continuation of your appointment is in accordance with provisions of Companies Act, 2013, Rules made there under and the Articles of Association of the Company, from time to time in force.
- c) Your appointment may also be terminated in accordance with the provisions of the Articles of Association of the Company and the provisions of the Companies Act, 2013 and rules made there under as amended.

### **16. Governing Law**

This agreement is governed by and will be interpreted in accordance with Indian law and your engagement shall be subject to the jurisdiction of the Indian courts and the Courts in Kerala shall have exclusive jurisdiction.

If you are will to accept these terms of appointment relating to your appointment as a non executive Independent Director of KGL, kindly confirm your acceptance of these terms by signing and returning to us the enclosed duplicate copy of this letter.

Yours Sincerely,

For **Kitex Garments Limited**

Sd/-

**Sabu M. Jacob**  
**Chairman & Managing Director**

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

Sd/-

**C. P. Philipose**

(DIN 01125157)

## **CODE FOR INDEPENDENT DIRECTORS**

(as per Schedule IV of Companies Act, 2013)

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 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; Terms and Conditions of appointment of Independent directors 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;
- (2) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (3) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (4) strive to attend the general meetings of the company;
- (5) 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;
- (6) keep themselves well informed about the company and the external environment in which it operates;
- (7) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (8) 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;
- (9) 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;
- (10) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (11) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;

(12) 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 fulfills 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 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 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.