

**GUJARAT ALKALIES AND CHEMICALS LIMITED**  
**P.O.: RANOLI : 391 350 DIST: VADODARA**

**TERMS OF APPOINTMENT OF INDEPENDENT DIRECTORS**

The appointment of Independent Directors (IDs) in a Company is made in accordance with the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and other Rules / Regulations applicable from time to time. Their appointments are governed by the “Letter of Appointment” issued to them by the Company and accepted by them. However, as per the provisions of the Listing Regulations [Regulation 46], the general Terms of Appointment of IDs to be placed on the website of the Company are set out below:

**TRAINING**

If required, the Company will organize and provide suitable training to IDs of the Company to familiarize themselves with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, as well as the risk profile of the business parameters of the Company. IDs are also expected to keep themselves well informed about the Company and the external environment in which it operates. If required, the Company will also be conducting a training programme for all the Directors to ensure they understand their responsibilities as Directors, the best ways to discharge them and the basis for understanding financial statements and related documents.

**COMMITMENTS**

- A.** An ID should devote such time as is necessary for the performance of his / her duties as an Independent Director and ID involve himself / herself in the Board and Committee Meetings during the term. ID should strive to attend all the scheduled Board Meetings, General Meetings, Committee Meetings and other meetings of the Company.

An Independent Director should strive to be present in at least one meeting in a year without the presence of non-independent directors and members of management with the sole objective of;

- (a) Review the performance of non-independent directors and 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;

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- (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 its duties.
- B.** At the first Meeting of the Board in which he / she participates as an Independent Director and thereafter, at the first Meeting of the Board in every Financial Year or as and when there is a change in circumstances, which may affect his / her status as an Independent Director, submit a declaration to the Board that he / she meets the criteria of independence specified under Section 149(6) of the Companies Act, 2013.
- C.** He / she shall disclose any direct or indirect interest, which he / she may have in any matter being considered at a Board Meeting or Committee Meeting and, save as permitted under the Articles of Association of the Company, he / she shall not vote on any resolution of the Board, or of any of its Committees, on any matter where he / she has any direct or indirect interest.
- D.** Unless specifically authorised to do so by the Board, he / she shall not enter into any legal or other commitment or contract on behalf of the Company.
- E.** An ID shall not hold office:
  - (a) as a Director (including as an alternate director) in more than twenty companies at the same time;
  - (b) as a director in more than ten public companies at the same time; and
  - (c) as an independent director in more than seven listed companies at the same time (provided however, that in case he / she holds office as a Whole Time Director in a listed company then he / she shall not hold office as an Independent Director in more than three listed companies).

### **CODE OF CONDUCT, FUNCTIONS AND DUTIES**

- A.** ID will have all the usual duties of an Independent Director under Companies Act, 2013 and applicable Listing Regulations, including attendance at Board Meetings, the Annual General Meeting, Meetings of Committees, Meetings of Independent Directors together with such additional duties as may be agreed with the Board and which may relate to the business of the Company. ID will be required to serve on such committees as the Board may request, including but not limited to the Committees wherein ID is currently the Member / Chairman.

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- B.** As a Director of the Company (GACL), he / she will have legal duties and obligations under Companies Act, 2013. It is expected that he / she will familiarize himself / herself with the relevant Directors' Duties, roles and responsibilities as set out in **ANNEXURE - 'I'**.
- C.** For any breach by him / her of the duties set out under the Terms of Appointment, he / she will be subject to the penal consequences as set out under the Companies Act, 2013 and other applicable laws including SEBI regulations and the Listing Regulations.
- D.** In relation to the Company (GACL), he / she would not be liable for such acts of omission or commission by the Company which had occurred without his / her knowledge, attributable through Board processes, and without his / her consent or connivance, or where he / she acted diligently.

### **CODE OF INDEPENDENT DIRECTORS, CODE OF CONDUCT FOR DIRECTORS AND CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING FOR EMPLOYEES, INCLUDING DIRECTORS**

IDs are required to abide by the Code for Independent Directors, Code of Conduct for Directors and Code of Conduct for Prevention of Insider Trading for Employees, including Directors, as issued by the Company (GACL).

### **PROVISION FOR DIRECTORS AND OFFICERS (D AND O) INSURANCE**

The Company has obtained Directors' & Officers' Liability Insurance Policy for Directors & Senior Executives.

### **DIRECTORS' FEES**

ID shall be paid sitting fees of Rs.17,500/- or such other amount as the Board may decide from time to time for attending each meeting of the Board and the Committee, as per provisions of Section 197 of the Companies Act, 2013 and Articles of Association of the Company (GACL).

The Company shall reimburse all travelling, hotel and other incidental expenses properly and reasonably incurred by him / her in performance of duties as per provision of the Companies Act, 2013 in conjunction with rules and policies of Company (GACL).

An Independent Director shall not be entitled to any stock option and shall not be covered by any pension scheme.

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### TERMINATION AND RESIGNATION

- A. Appointment of Independent Director of the Company shall be terminated with immediate effect in the event he/ she:
- (a) commit a breach of any of his / her duties, functions and responsibilities or obligations towards the Company as set out in the Terms of Appointment, or for reasons prescribed under the Companies Act, 2013 and Listing Regulations; or
  - (b) compromise his / her independence vis-à-vis the Company (GACL) in any manner whatsoever which will have an impact on the criteria of independence specified in Section 149(6) of the Companies Act, 2013 and Listing Regulations.

ID may resign from his / her office by giving written notice to the Company. Upon resignation, he / she may also, as per the provisions of Section 168 of the Companies Act, 2013, forward a copy of the resignation along with detailed reasons for resignation to the Registrar of Companies, Gujarat within thirty days of his / her resignation in the prescribed manner.

Yours Sincerely,

MANAGING DIRECTOR

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**The Companies Act, 2013**

**Chapter XI**

**APPOINTMENT AND QUALIFICATIONS OF DIRECTORS**

Notified Date of Section: 01/04/2014

**149. Company to have Board of Directors**

**(1)** Every company shall have a Board of Directors consisting of individuals as Directors and shall have—

(a) a minimum number of three Directors in the case of a public company, two Directors in the case of a private company, and one director in the case of a One Person Company; and

(b) a maximum of fifteen Directors:

Provided that a company may appoint more than fifteen Directors after passing a special resolution:

Provided further that such class or classes of companies as may be prescribed, shall have at least one-woman director.

**(2)** Every company existing on or before the date of commencement of this Act shall within one year from such commencement comply with the requirements of the provisions of sub-section (1).

**(3)** Every company shall have at least one director who has stayed in India for a total period of not less than one hundred and eighty-two days during the financial year:

Provided that in case of a newly incorporated company the requirement under this sub-section shall apply proportionately at the end of the financial year in which it is incorporated.

**(4)** Every listed public company shall have at least one-third of the total number of Directors as independent Directors and the Central Government may prescribe the minimum number of independent Directors in case of any class or classes of public companies.

Explanation. —For the purposes of this sub-section, any fraction contained in such one-third number shall be rounded off as one.

**(5)** Every company existing on or before the date of commencement of this Act shall, within one year from such commencement or from the date of notification of the rules in

this regard as may be applicable, comply with the requirements of the provisions of sub-section (4).

**(6)** 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, —

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

(b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(ii) who is not related to promoters or Directors in the company, its holding, subsidiary or associate company;

(c) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed,] with the company, its holding, subsidiary or associate company, or their promoters, or Directors, during the two immediately preceding financial years or during the current financial year;

(d) none of whose relatives—

(i) 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;

(ii) 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;

(iii) 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

(iv) 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);]

(e) who, neither himself nor any of his relatives—

(i) holds or has held the position of a key managerial personnel 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.

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, Directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(f) who possesses such other qualifications as may be prescribed.

**(7)** Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as provided in sub-section (6).

Explanation. — For the purposes of this section, “nominee director” means a director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

**(8)** The company and independent Directors shall abide by the provisions specified in Schedule IV.

**(9)** Notwithstanding anything contained in any other provision of this Act, but subject to the provisions of sections 197 and 198, an independent director shall not be entitled to any stock option and may receive remuneration by way of fee provided under sub-section (5) of section 197, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.

Provided that if a company has no profits or its profits are inadequate, an independent director may receive remuneration, exclusive of any fees payable under sub-section (5) of section 197, in accordance with the provisions of Schedule V.

**(10)** Subject to the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

**(11)** Notwithstanding anything contained in sub-section (10), no independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director:

Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

Explanation - For the purposes of sub-sections (10) and (11), any tenure of an independent director on the date of commencement of this Act shall not be counted as a term under those sub-sections.

**(12)** Notwithstanding anything contained in this Act,—

(i) an independent director;

(ii) a non-executive director not being promoter or key managerial personnel, shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

**(13)** The provisions of sub-sections (6) and (7) of section 152 in respect of retirement of Directors by rotation shall not be applicable to appointment of independent Directors.

### **150. Manner of selection of independent Directors and maintenance of databank of independent directors**

**(1)** Subject to the provisions contained in sub-section (5) of section 149, an independent director may be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent Directors, maintained by any body, institute or association, as may be notified by the Central Government, having expertise in creation and maintenance of such data bank and put on their website for the use by the company making the appointment of such Directors:

Provided that responsibility of exercising due diligence before selecting a person from the data bank referred to above, as an independent director shall lie with the company making such appointment.



**(2)** The appointment of independent director shall be approved by the company in general meeting as provided in sub-section (2) of section 152 and the explanatory statement annexed to the notice of the general meeting called to consider the said appointment shall indicate the justification for choosing the appointee for appointment as independent director.

**(3)** The data bank referred to in sub-section (1), shall create and maintain data of persons willing to act as independent director in accordance with such rules as may be prescribed.

**(4)** The Central Government may prescribe the manner and procedure of selection of independent Directors who fulfil the qualifications and requirements specified under section 149.

## **SCHEDULE IV**

**[See section 149(8)]**

### **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) scrutinise 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 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 formalised 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 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 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.

**Note:** The Provisions of sub-paragraph (2) and (7) of paragraph II, paragraph IV, paragraph V, clauses (a) and (b) of sub-paragraph (3) of paragraph VI and paragraph VIII shall not apply in the case of a Government company as defined under clause (45) of section 2 of the Companies Act, 2013 (18 of 2013), if the requirements in respect of matters specified in these paragraph are specified by the concerned Ministries or Departments of the Central Government or as the case may be, the State Governments and such requirements are complied with by the Government companies.