

## **Terms and Conditions of appointment of Independent Directors**

The terms and Conditions of the appointment, which shall, in any event be subject to the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and the Articles of Association of the Company, are set out below.

The broad terms and conditions of their appointment as Independent Directors are reproduced hereunder:

### **Qualification**

Eminent persons possessing appropriate skills and knowledge in one or more fields of Administration, Finance, Law, Management, Technical Operations, Commercial Services etc. and should also have relevant experience at Senior level.

### **Eligibility Criteria**

The persons shall meet the eligibility criteria of Independent Director as defined under Companies Act, 2013 & Rules made thereunder and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (extracts of the same are attached as Annexure A) and also give necessary Declaration of their Independence as per Section 149 (6) of the Companies Act, 2013 & Rules made thereunder and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (Format Attached as Annexure B).

### **Appointment**

1. The appointment will be upto a consecutive period of five years or as may be decided by the Board ("Term") in compliance with the provisions of the Companies Act, 2013.
2. In compliance with provision Section 149(13) of the Companies Act, 2013, Independent Directors are not liable to retire by rotation.
3. Re-appointment 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. The re-appointment would be considered by the Board based on the outcome of the performance evaluation process and the directors continuing to meet the independence criteria.
4. 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 responsibilities**

As members of the Board, they along with the other Directors will be collectively responsible for meeting the objectives of the Board which include:

- A. Requirements under the Companies Act, 2013 read with Schedule IV (Annexure C) to the Companies Act, 2013,
- B. "Responsibilities of the Board" as outlined in the Corporate Governance requirements as prescribed by the Stock Exchanges under Regulation 4(2)(f) of Listing Regulations.

- C. Accountability under the Director's Responsibility Statement.
- D. The role and duties of Independent Directors will be those normally required of a Non Executive Independent Director under the Companies Act, 2013 and Listing Regulations. There are certain duties prescribed for all Directors, both Executive and Non-Executive, which are fiduciary in nature and are as under:
- I. They shall act in accordance with the Company's Articles of Association.
  - II. They 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. They shall discharge their duties with due and reasonable care, skill and diligence.
  - IV. They shall not involve themselves in a situation in which they may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
  - V. They shall not achieve or attempt to achieve any undue gain or advantage either to themselves or to their relatives, partners or associates.
  - VI. They shall not assign their office as Director and any assignments so made shall be void.

#### **Status of Appointment and Remuneration**

Independent Directors will not be employees of the Company and their appointment letter shall not constitute a contract of employment. They 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 in accordance with the provisions of Articles of Association of the Company. At present, the Company is paying Sitting Fees as under:

- (a) Rs.10,000/- per meeting of the Board of Directors attended and
- (b) Rs.4,000/- per meeting of the Committee of the Board of Directors attended.

#### **Reimbursement of Expenses**

The Company may pay or reimburse to the Director such expenditure, as may have been incurred by them while performing their role as an Independent Director 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, induction and training (organized by the Company for Directors).

#### **Training and Development**

The Company may, if required, conduct formal training program for its Independent Directors. The Company may, as may be required, support Directors to continually update their skills and knowledge and improve their familiarity with the company and its business. The Company will fund/arrange for training on all matters which are common to the whole Board.

## **Insurance**

The Company has Directors' and Officers' liability insurance and it is intended that the Company will assume and maintain such cover for the full term of appointment of Independent Directors.

## **Conflict of Interest**

1. It is accepted and acknowledged that Independent Directors may have business interests other than those of the Company. As a condition to appointment, they are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form at the time of appointment.
2. In the event that 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 judgement that they are independent, this should be disclosed to both the Chairman and the Company Secretary.
3. They shall not participate in any business activity which might impede the application of their independent judgement in the best interest of the Company.

## **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 evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board / Committee.

## **Disclosure of other directorships and business interests**

1. During their Term, Independent Directors 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 Directors of the Company, they shall promptly disclose the same to the Chairman and the Company Secretary.
2. During their Term, Independent Directors agree to promptly provide a declaration under Section 149(7) of the Companies Act, 2013 and Listing Regulations, upon any change in circumstances which may affect their status as an Independent Director.

## **Changes of personal details**

During the Term, Independent Directors 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.

## **Code of Conduct & Policies**

During the appointment, Independent Directors are required to comply with relevant regulations as contained in Schedule IV under Companies Act, 2013, including the various codes of conduct and Policies of the Company.

## **Confidentiality**

1. All information acquired during appointment is confidential to the Company and shall not be released, either during appointment or following termination (by whatever means) to third parties without prior clearance from the Company unless required by law or by the rules of any stock exchange or regulatory body. On reasonable request, Independent Directors shall surrender any documents and other materials made available to them by the Company.
2. Attention is also drawn to the requirements under the applicable regulations and the Company's Insider Trading Code which concern the disclosure of price sensitive information and dealing in the securities of the Company. Consequently Independent Directors should avoid making any statements or performing any transactions that might risk a breach of these requirements without prior clearance from the Chairman or the Company Secretary.
3. The obligation of confidentiality shall survive cessation of their respective directorship with the company. Publication of the letter of appointment In line with provisions of Clause IV(6) of Schedule IV to the Companies Act, 2013 and Listing Regulations, the Company will make public the terms and conditions of appointment of Independent Directors and will also arrange for it to be displayed on the Company's website.

## **Termination**

The appointment may be terminated in accordance with the provisions of the Articles of Association of the Company or on failure to meet the parameters of independence as defined in Section 149(6) or Listing Regulations or on the occurrence of any event as defined in section 167 of the Companies Act, 2013. Apart from the grounds of termination as specified in the Companies Act 2013, your directorship may be terminated for violation of any provision of the Code of Conduct as applicable to Non-Executive Directors. Upon termination or upon resignation for any reason, duly intimated to the Company, Independent Directors will not be entitled to any compensation for loss of office. The Directors may resign from the directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation.

## **General**

The appointment of Independent Directors and any non-contractual obligations arising out thereof shall be governed by and be construed in accordance with, the laws of India, and the parties agree to submit to the exclusive jurisdiction of the courts of Chandigarh.

## Extract of the Relevant provisions of the Companies Act, 2013

## Section 149

(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 percent 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 percent 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 percent or more of the gross turnover of such firm;

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

(iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation 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 percent 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).

(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.

(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.

**Definition of Independent Director as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

(b) "independent director" means a non-executive director, other than a nominee director of the listed entity:

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

(ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company [or member of the promoter group of the listed entity];

(iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;

(iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

(v) none of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;

(vi) who, neither himself, nor whose relative(s) —

(A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity 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;

(B) 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 —

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

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

(C) holds together with his relatives two per cent or more of the total voting power of the listed entity; or

(D) is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the

listed entity, 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 listed entity;

(E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;

(vii) who is not less than 21 years of age.

(viii) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director:]



**DECLARATION FROM INDEPENDENT DIRECTORS UNDER SECTION 149(7) OF THE COMPANIES ACT, 2013**

I, \_\_\_\_\_ (DIN No. \_\_\_\_\_) residing at \_\_\_\_\_, do hereby declare that I am not disqualified to act as an Independent Director of M/s. Punjab Alkalies & Chemicals Limited under any provisions of the Companies Act, 2013 and rules made there under or any other law and SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015 (as amended) and further declare that:

- A. I possess relevant expertise and experience as required.
- B. i. I am/was not a promoter of the Company or its holding, subsidiary or associate company.
- ii. I am not related to promoters or Directors in the Company, its holding, subsidiary, or associate Company.
- C. Apart from receiving sitting fees, I have no material pecuniary relationship 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 my relative:
- (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:
- (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 percent 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. I neither myself nor any of my relatives:
- i) holds or 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 current financial year;
- ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the current financial year –

- a. In a Firm of auditors or company secretaries in practice or cost auditor of the company or its holding, subsidiary or associate company; or
  - b. In any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to 10% or more of the gross turnover of such firm;
  - iii. I do not hold together with my relatives 2% or more of the total voting power of the company; or
  - iv. I am not a Chief Executive or Director, by whatever name called of any non-profit organization that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company; and
- F. I am not a material supplier, service provider or customer or lessor or lessee of the Company.

#### **Declaration**

I undertake that I shall seek prior approval of the Board if and when I have any such relationship/transactions, whether material or non-material. If I fail to do so, I shall cease to be an independent director from the date of entering in to such relationship/transactions.

Further, I do hereby declare and confirm that the above said information's are true and correct to the best of my knowledge as on the date of this declaration of independence and I shall take responsibility for its correctness and shall be liable for fine if any imposed on the Company, its directors, if the same found wrong or incorrect in future.

I further undertake to intimate immediately upon changes, if any, to the Company for updating of the same.

DATE:  
PLACE: Chandigarh

INDEPENDENT DIRECTOR

<sup>26</sup>**SCHEDULE IV**<sup>27</sup>

[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;

26. Enforced with effect from 1-4-2014.

27. See also SS-1 - Secretarial Standard on Meetings of Board of Directors (see **Division Three**).

- (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 behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) <sup>27a</sup>[act within their authority], assist in protecting the legitimate interests of the company, shareholders and its employees;

<sup>27a</sup> Substituted for "acting within his authority" by Notification No. S.O. 2113(E), dated 5-7-2017, w.e.f. 5-7-2017.

- (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 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 Board's 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 <sup>27b</sup>[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 <sup>27c</sup>[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.

<sup>27d</sup>[Note: The provisions of sub-paragraphs (2) and (7) of paragraph II, paragraph IV, paragraph V, clauses (a) and (b) of sub-paragraph (3) of paragraph VII 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 paragraphs 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.]

27b. Substituted for "a period of not more than one hundred and eighty days" by Notification No. S.O. 2113(E), dated 5-7-2017, w.e.f. 5-7-2017.

27c. Substituted for "in a year", *ibid*.

27d. Inserted, *ibid*.