

## TERMS AND CONDITIONS FOR APPOINTMENT OF INDEPENDENT DIRECTORS

The members of Hikal Limited have approved appointment of two independent Directors at the Annual General Meeting of the Company held on August 26th, 2014. The appointment was made on the following terms and conditions:

The Appointment of the Independent Directors by the Company will be in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder and the Listing Agreement.

### **Appointment / Re-appointment of an Independent Director**

- a. Term of appointment : Subject to the provisions of Sections 149 &152 of the Companies Act, 2013, the rules made thereunder and the relevant provisions of the Listing Agreement, the term of appointment of Independent Director is for a period not exceeding 5 years. The appointment is subject to the approval of the shareholders at the ensuing Annual General Meeting.
- b. Committee Membership : The Board of Directors may nominate Independent directors to one or more of the sub-committees of the Board from time to time.
- c. Role and Responsibilities : Independent Director should have the same general legal responsibilities to the Company as any other director but in terms of the provisions of Section 149(12) of the Act Independent Director will be held liable only in respect of such omission or commission which has occurred with their knowledge, attributable through Board processes, or with their consent or connivance or where they have not acted diligently.  
The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.  
In addition to the above requirements for all Directors, an Independent Director shall abide by the Code for Independent Directors as laid down under Schedule IV of the Companies Act, 2013, or any amendments thereto. A copy of the Schedule is attached for ready reference.
- d. Fiduciary position : Directors being Trustees of the stake holders of the Company shall discharge their responsibilities upholding their fiduciary responsibilities or duties, which in short are as under :
  - To act within their powers, in good faith to promote the success of the Company.
  - To exercise independent judgment, reasonable care, skill and diligence.

- To avoid conflict of interest.
  - Not to accept benefits from third parties, which are attributable consequent to Independent directors, independent directorship of the Company.
  - To declare interest in proposed transactions or arrangements.
- e. Code of conduct : During the tenure of Independent Directors appointment, Independent Directors are required to comply with Schedule IV of the Companies Act, 2013 and all relevant regulations as may be issued by the Listing Authority with regard to insider trading and other market related matters from time to time. Independent Director will also adhere to the code of conduct as may be notified by the Board of Directors of the Company for its directors and other employees.
- f. Remuneration : Independent Directors annual remuneration will be as under:
- Sitting fees for attending each meeting of the Board and its Committees as may be determined by the Board from time to time, and
  - Commission that may be determined by the Board payable at the end of each financial year will be based on the performance of the Company and Independent Director performance evaluated by the Board of Directors.
  - Independent Directors will be entitled to reimbursement of expenses incurred by Independent Directors in connection with attending the Board meetings, Board Committee meetings, general meetings and in relation to the business of the Company towards hotel accommodation, travelling and other out-of-pocket expenses.
  - Pursuant to applicable law, Independent Director will not be entitled to any stock options.
- g. Confidentiality : Independent Director must apply the highest standards of confidentiality and not disclose to any person or company any confidential information concerning the Company and any Group Companies with which they come into contact by virtue of their position as Director.
- h. Independence : The Board of Directors of the Company inter alia has given due consideration to Independent Directors declaration of being qualified as 'independent' in accordance with the provisions of Companies Act, 2013 and the Listing Agreement with the Stock Exchange. Independent Directors are expected to continue to be qualified as 'independent' during their tenure and provide periodic declaration to the effect as required by regulations. Independent Directors will be identified as 'Independent Director' in the annual report and other documents and publications of the Company. If circumstances change and Independent Director believe it may not be possible for

Independent Director to retain their independence they should discuss this with the Chairman as soon as practicable.

- i. Insurance : The Company provides all its Directors and Officers “Insurance Policy” which covers all Directors and Key Managerial Personnel of the Company and pays the premiums for Directors and Officers insurance cover while acting in their capacities as Directors. This Insurance Policy covers the Independent Directors from any fines/liabilities arising out of their role as Independent Directors.
- j. Performance Evaluation : Independent Directors reappointment or extension of term and your remuneration will be recommended by the Nomination and Remuneration Committee of the Board, pursuant to a performance evaluation carried out by the Board.
- k. Training : Independent Directors will be entitled to the benefit of a training program to familiarize themselves with the business and affairs of the Company, growth plans, the peculiarities of the industry in which the Company operates, its goals and expectations and long term plans and objectives.
- l. Retirement or Termination : Independent Directors, directorship on the Board of the Company shall terminate or cease in accordance with law. Apart from the grounds of termination as specified in the 2013 Act, Independent Directors directorship may be terminated for violation of any provision of the Hikal Ltd. Code of Conduct as applicable to Non-Executive Directors.  
Independent Directors may resign from the directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation. The resignation shall take effect from the date on which the notice is received by the Company or the date, if any, specified by you in the notice, whichever is later. If at any stage during the Term, there is a change that may affect Independent Directors status as an Independent Director as envisaged in Section 149(6) of the 2013 Act or, if applicable, Independent Director fail to meet the criteria for “independence” under the provisions of Clause 49 of the Listing Agreement, Independent Directors agree to promptly submit their resignation to the Company with effect from the date of such change.

## ***SCHEDULE IV***

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 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 behaviour, 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 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 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.

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