



# GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

Fertilizernagar – 391 750, Vadodara, Gujarat, India, CIN – L99999GJ1962PLC001121

## Terms of Appointment of Independent Director

On behalf of the Company, I write to confirm your appointment as an Independent Non-executive Director of GSFC Limited, as per the provisions of the Companies Act, 2013 and clause 49 of the listing agreement and set out below the terms of your appointment.

### 1. TERM OF OFFICE

Your appointment has been approved by the Shareholders at the 52<sup>nd</sup> Annual General Meeting held on 08.08.2014 for a one year term effective from conclusion of 52<sup>nd</sup> Annual General Meeting and upto the conclusion of next Annual General Meeting. You may note that the provisions of the Companies Act, 2013 and Listing Agreement so far as they relate to the retirement by rotation, would not apply to you.

Your appointment is subject to the provisions of Companies Act, 2013 regarding appointment, expenses, retirement, disqualification and removal etc.

Your performance as an Independent Director will be reviewed during your tenure with the Company in accordance with processes agreed by the Board from time to time.

### 2. COMMITMENTS

You shall be devoting such time as is necessary for the performance of your duties as an Independent Director and you shall be involving in the Board and Committee meetings during the term. You should strive to attend all the scheduled Board Meetings, General Meetings, Committee Meetings and other meetings.

As an Independent Director you should strive to hold and remain 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;
- 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.

### 3. CODE OF CONDUCT, FUNCTIONS AND DUTIES

You will have all the usual duties of an Independent director under Companies Act, 2013 and applicable Listing Agreement with the NSE and BSE, 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. You will be required to serve on such committees as the Board may request, including but not limited to the Committees wherein you are currently the member/Chairman.

As a Director of GSFC Limited, you will have legal duties and obligations under Companies Act, 2013. It is expected that you will familiarize yourself with the relevant Directors' Duties, roles and responsibilities as set out in **Annexure-I**.



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

You 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 and such other code/s as issued by the Company.

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

The Company has obtained Directors' & Officers' liability Insurance Policy for you. Details of the same will be made available upon request.

#### **6. DIRECTORS' FEES**

You shall be paid sitting fees of Rs. 10000/- 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. You shall also be paid Rs. 2500/- per meeting to defray incidental expenses incurred for attending the Board, Committee and other meetings.

The Company shall either make arrangements or reimburse to you all travelling, hotel and other incidental expenses properly and reasonably incurred by you in performance of duties as per provision of the Companies Act, 2013 in conjunction with rules and policies of Company.

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

**Kindly confirm your agreement to the terms set out above by signing the endorsement on the enclosed copy of this. In returning the letter duly signed, you agree that the Company shall make this letter publicly available as required by the law.**

Yours sincerely,  
For Gujarat State Fertilizers & Chemicals Limited

Atanu Chakraborty  
Managing Director

## 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 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.