



PRIVI SPECIALITY CHEMICALS LIMITED

(Formerly known as Fairchem Speciality Limited)

(CIN: L15140MH1985PLC286828)

Regd Off: Privi House, A-71, TTC, Near Koparkhairne Railway Station, Navi Mumbai - 400710

TERMS AND CONDITIONS OF APPOINTMENT OF INDEPENDENT DIRECTOR

(Dated August 17, 2020)

TERMS AND CONDITIONS OF APPOINTMENT OF INDEPENDENT DIRECTOR

1. Terms of Appointment:

The Appointment of an Independent Director in the Company is pursuant to the applicable provisions of Companies Act, 2013 (“Act”) and Securities Exchange Board of India, Listing Regulations, 2015. (“SEBI Regulations”)

The term of appointment of an Independent Director (ID) is for a period of 5 consecutive years from the date of his/ her appointment. Independent Director is not liable to retire by rotation.

Appointment of every Independent Director is as recommended by the Nomination & Remuneration Committee to the Board and shall be approved by the Members of the Company. Independent Director is not liable to retire by rotation.

Independent Directors shall be eligible for re-appointment for another term of 5 consecutive years, after the completion of their tenure of first 5 years, subject to Board approval, and passing of a Special Resolution by Members. An Independent Director shall serve for not more than two terms of five years each on the Board of the Company. The Company is at liberty to disengage Non-Executive Independent Director earlier subject to compliance of relevant provisions of the Act.

2. Role, Duties and responsibilities:

Without limiting the generality of the roles, duties and responsibilities stated in the Act, and other applicable laws, an Independent Director is expected to discharge the role, duties and responsibilities as set out in the Code for Independent Directors (Schedule IV of the Act), annexed hereto as 'Annexure - A' and also Section 166 of the Act.

The Board may, from time to time, assign such other roles, functions and duties as it may consider appropriate in the best interest of the Company and its stakeholders at large.

Also, please note that, as a Director of the Company –

- i. He / She shall not assign office and any assignment so made shall be void
- ii. He / She shall ensure that his/her number of directorships/board committee memberships/chairmanships shall be within the limits prescribed under the provisions of the Act and SEBI Regulations.
- iii. He/she shall ensure that his/her name is included in Independent Director’s Databank of Indian Institute of Corporate Affairs and shall hold valid certification.
- iv. He / She shall ensure that he / she fulfils the parameters of ‘Independence’ as defined under the Act and SEBI Regulations. He / She is required to furnish a declaration every year confirming his/her eligibility to hold the office of Independent Director of the Company and inform whenever there is a change in the circumstances which may affect his/her status as an independent director.

- v. He / She is restricted from participating in the discussions on contracts or arrangements with parties where he/she is interested or concerned in any manner
- vi. He / She is required to timely inform the Company about changes, if any, and disclosure of interest and declarations furnished by him/her to the Company.

3. Insurance

The Company has in place a Directors and Officers' Liability Insurance Policy. The management intends to continue to maintain such insurance cover for the term of appointment, subject to the terms of such policy in force from time to time.

4. Code of Business ethics

The Code for Independent Directors contained in Schedule IV of the Act, *ipso facto* applies to Independent Directors. He / She is required to comply with the same.

Directors shall also comply with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Code of Conduct for Directors & Senior Management Personnel, and Code of Conduct for Prevention of Insider Trading of the Company. The Directors shall not make use of unpublished price sensitive information

5. Remuneration and expenses:

As an Independent Director of the Company, he/she shall be paid sitting fees for attending the meetings of the Board and its Committees of which he/ she is a member at the rates determined by the Board from time to time.

6. Termination:

Independent Directors may resign from their position at any time and if they wish to do so, they are requested to serve a reasonable written notice on the Board. Continuation of their appointment is contingent on getting re-elected by the Members in accordance with provisions of the Act, the Rules framed thereunder and the Articles of Association of the Company. They will not be entitled to any compensation if the Members do not re-elect them at any time.

7. Performance Evaluation:

The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the Director being evaluated.

The re-appointment of independent director shall be on the basis of report of performance evaluation.

8. Miscellaneous

- Independent Directors shall give an annual declaration as required under the provision of Section 149(7) of the Act, and the Rules made thereunder.
- An Independent Director shall not serve as an Independent Director in more than seven listed companies as may be stipulated by the SEBI Regulations or any other law of the land, for the time being in force.
- An Independent Director who is serving as a whole-time director in any listed company shall not serve as an Independent director in more than three listed companies or such number of listed companies as may be stipulated by the SEBI Regulations or any other law of the land, for the time being in force

Annexure A

Code For Independent Directors

Under Schedule IV of Section 149(8) of the 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 bono 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 to abuse his/ her 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 independence of Independent Director;
- 8) where circumstances arise which may lose your independence of Independent Director, he/ she must immediately inform the Board;
- 9) assist the company in implementing the best corporate governance practices.

II. Role and Functions

An Independent Director 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 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 / she is a member;
- 4) participate constructively and actively in the committees of the Board in which he/ she is chairperson or member;
- 5) strive to attend the general meetings of the Company;
- 6) where he/ she has any 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 the said concerns are recorded in the minutes of the Board meeting;
- 7) keep yourself 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 yourself 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 this authority, assist in protecting the legitimate interests of the company, shareholders and its employees.
- 13) not to 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

The manner of appointment of the Independent Directors will be in accordance to the Nomination and Remuneration policy of the Company.

V. Re-appointment

The re-appointment of independent director shall be on the basis of report of performance valuation.

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 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 director
 - c) Asses 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 directors being evaluated;
- 2) On the basis of report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

Terms of reference

The Audit Committee's terms of references are as follows

1. the recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
2. approval of payment to statutory auditors for any other services rendered by them;
3. Review and monitor the auditors' independence and performance, and effectiveness of audit process;
4. reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
5. reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
6. discussion with internal auditors of any significant findings and follow up there on;
7. reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

8. discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
9. call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company;
10. review, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013 (hereinafter referred to as the "Act");
 - b) changes, if any, in accounting policies and practices and reasons for the same;
 - c) major accounting entries involving estimates based on the exercise of judgment by management;
 - d) significant adjustments made in the financial statements arising out of audit findings;
 - e) compliance with listing and other legal requirements relating to financial statements
 - f) disclosure of any related party transactions
 - g) modified opinion(s) in the draft audit report;
11. review with the Management, the quarterly financial Statements before submission to the Board for approval;
12. Review the Statement of significant Related Party Transactions, submitted by Management;
13. approval or any subsequent modification of transactions of the company with related parties;
14. scrutiny of inter-corporate loans and investments;
15. valuation of undertakings or assets of the company, wherever it is necessary;
16. evaluation of internal financial controls and risk management systems;
17. Power to obtain professional advice from external sources for the items specified in sub section 4 of section 177 of the Act;
18. To oversee the vigil mechanism wherein the directors and employees can report their genuine concerns or grievances;
19. reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
20. Review the Management Discussion and Analysis of financial condition and results of operations;
21. Periodic review of Policies;
22. Such other matters as mentioned in the terms of references or as may be required to be carried out by the Audit Committee pursuant to amendments under any law, from time to time.

The Corporate Social Responsibility Committee's terms of references are as follows

1. To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall also indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII of the Act

2. recommend the amount of expenditure to be incurred on the activities referred as per the Corporate Social Responsibility Policy
3. monitor the Corporate Social Responsibility Policy of the company from time to time.
4. Institute transparent monitoring mechanism for implementation of the CSR Projects or programs or activities undertaken by the Company.
5. Do such other acts, deeds, things and matters as are necessary or expedient in complying with the provisions of Section 135 of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014.