

## **Terms and conditions for the appointment of the Independent Directors**

### **1 The terms and conditions of appointment of the Independent Directors of the Company in accordance with the requirements of Schedule IV to the Companies Act, 2013 and revised Clause 49 of the Equity Listing Agreement:**

Shri Rakesh Kapoor and Shri Deepak Ghaisas have been appointed as Independent Directors of the Company by the members at their Annual General Meeting held on September 26, 2014. Shri V. Balasubramanian, (Retd. IAS), and Dr. M. R. Desai have been appointed as Independent Directors of the Company by the members by way of resolutions passed through AGM on 25<sup>th</sup> September, 2015.

Terms and Conditions of appointment of Independent Directors:

#### **I. Term:**

##### **A. Shri Rakesh Kapoor**

The Appointment is for a term commencing from September 26, 2014 up to March 31, 2019 (the "Termination Date"). Unless the Appointment is renewed on or prior to the Termination Date, he will cease to hold office as a director of the Company immediately after the Termination Date.

##### **B. Shri Deepak Ghaisas**

The Appointment is for a term commencing from September 26, 2014 up to March 31, 2019 (the "Termination Date"). Unless the Appointment is renewed on or prior to the Termination Date, he will cease to hold office as a director of the Company immediately after the Termination Date.

##### **C. Shri V. Balasubramanian, (Retd. IAS)**

The Appointment is for a term commencing from \_\_\_\_\_, 2015 up to the conclusion of the Annual General Meeting of the Company in the calendar year 2019 (the "Termination Date"). Unless the Appointment is renewed on or prior to the Termination Date, he will cease to hold office as a director of the Company immediately after the Termination Date.

##### **D. Dr. M. R. Desai**

The Appointment is for a term commencing from \_\_\_\_\_, 2015 up to the Annual General Meeting of the Company in the calendar year 2019 (the "Termination Date"). Unless the Appointment is renewed on or prior to the Termination Date, he will cease to hold office as a director of the Company immediately after the Termination Date.

#### **II. Other Terms and Conditions**

##### **1. Committees:**

- During the Appointment, the Independent Director may be required to serve on one or more of the committees of the Board including Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee and Operation Committee, as the Board may decide.

- He is appointed as an independent non-executive director and will be identified as such in the annual report and other documentation of the Company. If circumstances change, and he believes that his independence will be in doubt, he should discuss the same with the Chairman of the Company as soon as practicable.

## **2. Duties and Liabilities:**

- The Independent Director will perform his fiduciary duties in a responsible manner and his general legal responsibilities to the Company will be at par with a non-executive director.
- The Independent Director shall act in accordance with the Articles of Association of the Company and while discharging his duties, comply with the requirements of Section 166 and Schedule IV of the Act.
- The Independent Director will be held liable only in respect of such acts of omission or commission by the Company which has occurred with his knowledge, attributable through Board processes, and with his consent or where he has not acted diligently.

## **3. Code for Independent Directors:**

- ✓ The Company has relied on the declaration of the Independent Director that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 (the "Act") as also in Clause 49 of the Listing Agreement with the Stock Exchanges.
- ✓ The Independent Director will be required to abide by the guidelines as to professional conduct for independent directors as set out in Section 149(8) read with Schedule IV to the Act. ( Annex. With this letter)
- ✓ The Independent Director will be required to comply with applicable provisions of any code of conduct framed by the Board of Directors of the Company. .

## **4. Restrictions:**

- ❖ During the term of Appointment, the Independent Directors are expected not to take up directorship in any company (whether in India or abroad) engaged in the same or similar businesses as that of the Company or in a company, business or undertaking which competes or is likely to compete with the Company or which could otherwise potentially give rise to a conflict with his duties with the Company. In the event that the Independent Director becomes aware of any potential conflicts of interest, or in case of doubt, he should consult the Chairman of the Company as soon as practicable.
- ❖ During the term of Appointment, an Independent Director shall not serve as
  - an independent director in more than the prescribed number of listed companies and
  - a committee member of more than the prescribed number of committees (i.e. the Audit Committee and the Stakeholders' Relationship Committee) including chairmanship of such committees.

- ❖ During the term of appointment, Independent Director shall not indulge in forward dealings in securities of the Company which is prohibited under the Act. Directors are prohibited from dealing in the Company's securities during the period when the trading window is closed. They should not enter into insider trading and are expected to comply with the Company's code for securities dealing as well as with the concerned provisions of the Insider Trading Laws and Regulations.

**5. Time Commitment:**

By accepting the Appointment the Independent Director confirms that he will be able to allocate sufficient time to perform his duties as a director and attend meetings of the Board or any committee thereof. In addition to such attendances, he will be expected to devote appropriate preparation time ahead of each meeting.

**6. Training and Development:**

- The Independent Director will be invited to attend ongoing training and familiarization sessions for Directors including site visits.
- The Board members are provided with necessary documents / brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices.
- Periodic presentations are made at the Board and Board Committee meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.
- Quarterly updates on relevant statutory changes and landmark judicial pronouncements encompassing important laws are regularly circulated to Directors.

**7. Evaluation Process:**

The performance of individual directors shall be done by the entire Board, excluding the director being evaluated, on an annual basis.

**8. Remuneration:**

In consideration of the Independent Directors' services, the Company will pay him fees as under:

(i) Rs.10,000 for attending each meeting of the Board or any committee thereof or any other meeting of Directors;

(ii) Commission (if any) at the end of a financial year based on time committed for operational matters.

**9. Expenses:**

In addition to the remuneration stated in the preceding paragraph, the Company will reimburse Independent Director, or bear and pay, all travel, accommodation or other expenses incurred as a result of him carrying out his duties as a director. The Independent Director may, at the Company's expense, seek independent legal or other professional advice where necessary to perform his duties and will be entitled

to reimbursement of costs incurred in seeking such advice. In these circumstances, he should discuss the issues concerned with the Chairman of the Company in advance.

**10. Confidentiality:**

The Independent Director agrees that both during and after the term of Appointment, he will not use for his own, or for another's benefit, or disclose or permit the disclosure of any confidential information relating to the Company, subsidiary or any group or associate companies of the Company, which he may acquire by virtue of his position as an independent director, including without limitation, any information about the deliberations of the Board. The restriction shall cease to apply to any confidential information which may (other than by reason of the director's breach of this term), become available to the public generally.

**11. Insurance:**

The Company has Directors' and Officers' ("D&O") liability insurance and it is intended to maintain such cover for the full term of the Appointment. The Independent Director may obtain details of such insurance from the Company Secretary.

**12. Indemnity:**

The directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office, to the extent permitted by law.

**13: Publication of Letter:**

In line with the provisions of Schedule IV to the Act and Clause 49 of the Listing Agreement, the letter of appointment will be open for inspection by any member and the Company will also post the terms and conditions of the appointment on the Company's website [www.ugarsugar.com](http://www.ugarsugar.com).

**14. Governing Law:**

The Appointment and the terms are governed by the laws of India.

**15. Relationship:**

15.1 The appointment constitutes neither a contract for services nor a service contract.

15.2 There will be no relationship of employer and employee as a consequence of appointment as a director of the Company.

**16. Authority:**

The letter of appointment will be issued under the authority of the Board.

**For The Ugar Sugar Works Ltd,**

**Chairman**

**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 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 *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.