

Code of Conduct for Independent Directors (**CCID**) of Nirlon Limited

(Effective from March 29, 2016)*

I. Background, Introduction of Listing Obligations and Disclosure Requirements (LODR), 2015 by SEBI, Amendment & Adoption of the Code of Conduct

i. Background

The Board of Directors ("**the Board**") of Nirlon Limited ("**the Company**" or "**NL**"), adopted the Code of Conduct for Independent Directors ("**CCID**") and the same was effective from November 13, 2014.

The CCID was framed in compliance with the provisions of Clause 49 of the Listing Agreement entered into by the Company with the BSE Limited, Mumbai (the Recognised Stock Exchange).

ii. Introduction of LODR, 2015 by SEBI

SEBI introduced LODR, 2015, effective from December 1, 2015. The LODR, 2015 provide, inter alia, various regulations, annexures and schedules, and all listed companies are required to comply with the LODR, 2015.

iii. Amendment to the CCID

The LODR, 2015 do provide specific regulation with respect to the CCID, and hence, the CCID originally adopted by the Board is required to be amended suitably.

iv. Adoption of the CCID

The Directors on March 29, 2016 approved the revised CCID in compliance with the LODR, 2015.

II. Objective

To provide guidance of professional conduct for Independent Directors (**IDs**) of the Company in order to adhere to desired standards by the IDs, and for fulfillment of their responsibilities in a professional and faithful manner, so as to promote confidence in the investment community, particularly stakeholders, regulators etc.

III. Definitions & Interpretations

- i. **“Independent Director”** means an Independent Director defined under as per:

(A) Section 149 (6) of the Companies Act, 2013 defines:

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 with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two (2) immediately preceding financial years or during the current financial year;
- (d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to **two (2) % or more** of its gross turnover or total income or **Rs. 50,00,000/- or such higher amount** as may be prescribed, whichever is lower, during the two (2) immediately preceding financial years or during the current financial year;
- (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 an employee of the company or its holding, subsidiary or associate company in any of the three (3) financial years immediately preceding the financial year in which he is proposed to be appointed;
- (ii) is or has been an employee or proprietor or a partner, in any of the three (3) 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 (10) % or more** of the gross turnover of such firm;
- (iii) holds together with his relatives **two (2) % 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 (25) % or more** of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds **two (2) % or more** of the total voting power of the Company; or
- (f) who possesses such other qualifications as may be prescribed.

(B). Regulation 16(b) of the LODR, 2015:

"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;
- 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 (2) 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 (2) % or more** of its gross turnover or total income or **Rs. 50,00,000/- or such higher amount** as may be prescribed from time to time, whichever is lower, during the two (2) 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 (3) 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 (3) 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 (10) % or more** of the gross turnover of such firm;
- (C) holds together with his relatives **two (2) % 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 (25) % 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 (2) % 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.
- ii. **“Act”** means Companies Act, 2013 and any modifications and/or re-enactment thereof;
- iii. **“Regulation”** means regulation 16(b) and 25 of the LODR, 2015;
- v. **“Key Managerial Personnel”** means a person as defined in section 2 (51) of the Act, and shall include :-
1. Executive Director;
 2. Company Secretary; and
 3. Chief Financial Officer.
- vi. **“SEBI (LODR) Regulations, 2015”/“LODR,2015”** means Listing Obligations and Disclosure Requirements Regulations, 2015 as notified by the Securities and Exchange Board of India on September 02, 2015 effective from December 01, 2015, and any modification and amendment thereto;

IV. Guidelines of Professional Conduct

An Independent Director, at all times shall:

1. Uphold ethical standards of integrity and probity;
2. Act objectively and constructively while exercising his/her duties;
3. Exercise his/her responsibilities in a bona fide manner in the interest of the Company;
4. Devote sufficient time and attention to his/her professional obligations for informed and balanced decision making;
5. Not allow any extraneous considerations that will vitiate his/her 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/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 his/her independence;

8. Where circumstances arise which make an independent director lose his/her independence, the Independent Director must immediately inform the Board accordingly;
9. Assist the Company in implementing the best Corporate Governance practices.

V. Role, Functions and Obligations

An Independent Director at all times shall:

1. Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, related party transactions, resources, stakeholders relationship, financial matters, key managerial appointments and standards of conduct;
2. Bring an objective view in the evaluation of the performance of the Board and Senior Management;
3. Scrutinize the performance of the Senior 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 control and systems of risk management are robust and defensible;
5. Safeguard the interests of all stakeholders;
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 recommending removal of Executive Directors, Key Managerial Personnel and Senior Management;
8. To moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between the Senior Management and stakeholders' interests.

Obligations under Regulation 25 of LODR

1. A person shall not serve as an independent director in more than seven (7) listed entities:
Provided that any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three (3) listed entities.
2. The maximum tenure of independent directors shall be in accordance with the Act and rules made thereunder, in this regard, from time to time.
3. The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management, and all the independent directors shall strive to be present at such meeting.
4. The independent directors in the meeting referred in sub-regulation (3) shall, inter alia-
 - a. review the performance of non-independent directors and the board of directors as a whole;

- b. review the performance of the chairperson of the listed entity, 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 management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.
5. An independent director shall be held liable only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations.
6. An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by the listed entity at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later:
- Provided that** where the listed entity fulfils the requirement of independent directors in its Board without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.
7. The Company shall familiarise the independent directors through various programmes about the listed entity, including the following:
- a. nature of the industry in which the Company operates;
 - b. business model of the Company;
 - c. roles, rights, responsibilities of independent directors; and
 - d. any other relevant information.

VI. Duties

The Independent Directors shall at all times:

1. Undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company's operations and functions;
2. Seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinions from outside experts at the expense of the Company;
3. Strive to attend all meetings of the Board 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 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 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. Act within his/her authority, and assist in protecting the legitimate interests of the Company, stakeholders 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.

VII. Manner of Appointment

1. The appointment process of independent directors shall be independent of the Company management; while selecting independent directors the Board shall ensure that there is an 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 directors of the Company shall be approved at the meeting of shareholders.
3. The explanatory statement attached to the notice of the meeting for approving the appointment of an 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 the independent director shall be formalized 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 "www.nirlonltd.com".

VIII. Re-appointment, Resignation and Removal of Independent Director

1. The re-appointment of an independent director shall be on the basis of a report of performance evaluation.
2. The resignation or removal of an independent director shall be in the same manner as is provided in Sections 168 and 169 of the Companies Act, 2013.
3. 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 180 days (one hundred and eighty) from the date of such resignation or removal, and/or as per the Listing Agreement with the Stock Exchange, as the case may be.
4. 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, then in that event the requirement of replacement by a new independent director shall not apply.

IX. Separate Meeting

1. The independent directors of the Company shall hold at least 1 (one) meeting 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's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

X. 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.

XI. Power to Remove Difficulties

If any difficulties arise in giving effect to the provisions of this CCID, then the Chairman in consultation with the Board, may by an order make such provisions as it appears to be necessary or expedient for removing the difficulty by suitably amending/ modifying, and such provisions and amendment/ modification shall be displayed on the website of the Company.

This is always provided that such amendment/ modification shall in no event be inconsistent with the provision of the Act and the Regulation.

XII. Overriding Effects:

The CCID will not override the Act and/or the Regulation. Any amendment and/or modification to the Act / the Regulation shall prevail over the CCID.

Any provision contained in the CCID to the extent to which it is inconsistent or repugnant to the provisions of the Act / the Regulation shall become or be void, as the case may be.

***POST INTRODUCTION TO LODR 2015 BY THE SEBI**