

## Draft Letter of Appointment of Independent Director

Date: \_\_\_\_\_

To,

\_\_\_\_\_  
\_\_\_\_\_

### Sub: Appointment as Independent Director

Dear Sir,

We are pleased to confirm that upon the recommendation of Nomination and Remuneration Committee, the Board in its meeting held on \_\_\_\_\_ has approved your appointment as an Independent Director of the Company for a term of \_\_\_\_\_ consecutive years with effect from \_\_\_\_\_ to \_\_\_\_\_ subject to the approval of the members through Special Resolution.

This letter sets out the terms of your appointment as an Independent Director. The terms of your appointment, as set out in this letter, are subject to the extant provisions of the applicable laws, including the Companies Act, 2013 ( herein after referred as "the Act ") and Regulation 25 of the SEBI( Listing Obligations and Disclosure Requirements) Regulations,2015 ( herein after referred as "SEBI(LODR) Regulations" ) (as amended from time to time).

#### 1. Terms of Appointment

Your appointment will be for a term of consecutive \_\_\_ years upto \_\_\_\_\_ unless terminated earlier or extended, as per the provisions of this letter or applicable laws ("Term"). As an Independent Director you will not be liable to retire by rotation.

#### 2. Board Committees

As per the Board's current assessment, you will be the Chairman/member of the following Board Committees

- 1.
- 2.
- 3.

The Board may reconstitute the composition of any/all Committees, from time to time, and any such change shall be promptly communicated to you. In such an event you may also be required to serve on other Committees of the Board. The roles and functions of Committees are provided at **Annexure "A"**.

### 3. Role, duties and responsibilities

- A. As member of the Board you along with the other Directors will be collectively responsible for meeting the objectives of the Board which include:
- Requirements under the Act, responsibilities of the Board as outlined in the Corporate Governance requirements as prescribed by Stock Exchanges under SEBI(LODR) Regulations.
  - Accountability under the Directors' Responsibility Statement,
  - Overseeing the maintenance of high standards and ethical conduct of business.
- B. You shall abide by the 'Code for Independent Directors' as outlined in Schedule IV to Section 149(8) of the Act, and duties of directors as provided in the Act and in SEBI(LODR) Regulations, your ready reference, the relevant provisions have been extracted and attached to this letter as **Annexure "B"**.

### 4. Remuneration

As an Independent Director you shall be paid sitting fees for attending the meetings of the Board and the Committees of which you are a member as fixed by the Board from time to time. Further, the Company will pay or reimburse to you such fair and reasonable expenditure, as may have been incurred by you while performing your role as an Independent Director of the Company and profit related commission within the limits stipulated under Section 197 of the Act.

### 5. Dealing in shares and Code of Conduct for Directors and Senior Management

Directors are prohibited from dealing in the Company's shares during the period when the trading window is closed. Further, directors, being designated officers of the Company for the purpose of insider trading guidelines, you are required to comply with the applicable insider trading laws and regulations. You are also required to comply with the **Code of Conduct for Directors and Senior Management** and **Code of Conduct to Regulate, Monitor and Report Trading by Insiders** enclosed with this letter of appointment as **Annexure "C" and Annexure "D"**.

### 6. Disclosures of Changes

During your term, you agree to promptly provide a declaration under Section 149(7) of the Act, every year and upon any change in circumstances within 20 days which may affect your status as an Independent Director.

During the term, you shall promptly intimate the Company Secretary and the Registrar of Companies in the prescribed manner, of any change in address or other contact and personal details provided to the Company.

### 7. Termination

Your 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 Act, you may resign from the directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation and also to Registrar of Companies (ROC). 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.

### **8. Acceptance of Appointment**

We are confident that the Board and the Company will benefit immensely from your rich experience and we are eager to have you as an integral part of the growth of our Company.

Please confirm your acceptance by signing and returning the enclosed copy of this letter.

We thank you for your continued support and commitment to the Company.

Yours Sincerely,

For IOL Chemicals and Pharmaceuticals Limited

AGREE AND ACCEPT

I have read and understood the terms of my appointment as an Independent Director of the Company and I hereby affirm my acceptance to the same.

Signature \_\_\_\_\_  
(Independent Director)

Place:

Date:

**A. Audit Committee**

The powers and role of the Committee as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 will be as under:

**a. Powers of Audit Committee**

The Audit Committee shall have powers, which should include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

**b. Role of Audit Committee**

The role of the Audit Committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - 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
  - Changes, if any, in accounting policies and practices and reasons for the same
  - Major accounting entries involving estimates based on the exercise of judgment by management
  - Significant adjustments made in the financial statements arising out of audit findings
  - Compliance with listing and other legal requirements relating to financial statements
  - Disclosure of any related party transactions

- Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
  6. 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 utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
  7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
  8. Approval or any subsequent modification of transactions of the company with related parties;
  9. Scrutiny of inter-corporate loans and investments;
  10. Valuation of undertakings or assets of the company, wherever it is necessary;
  11. Evaluation of internal financial controls and risk management systems;
  12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
  13. 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;
  14. Discussion with internal auditors of any significant findings and follow up there on;
  15. 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;
  16. 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;
  17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
  18. To review the functioning of the Whistle Blower mechanism;

19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
21. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.
22. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.

**Explanation (i):** The term "related party transactions" shall have the same meaning as provided in Regulation 2 of the SEBI(LODR) Regulations .

21. The Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.
- Statement of deviations:
  - (a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in the terms of Regulation 32(1)
  - (b) Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

**B. Nomination and Remuneration Committee**

The role of the Committee as per the SEBI (LODR) Regulations shall, inter-alia, include the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
  - 1A For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
    - a. use the services of an external agencies, if required;
    - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
    - c. consider the time commitments of the candidates.]
2. Formulation of criteria for evaluation of performance of independent directors and the board of directors;
3. devising a policy on diversity of board of directors;
4. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
5. whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
6. recommend to the board, all remuneration, in whatever form, payable to senior management.

### **C. Stakeholders Relationship Committee**

The role of the committee shall inter-alia include the following:

- 1) Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- 2) Review of measures taken for effective exercise of voting rights by shareholders.
- 3) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- 4) Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

### **D. Risk Management Committee**

The role of the committee shall, inter alia, include the following:

- 1) To formulate a detailed risk management policy which shall include:
  - 2)
    - a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
    - b. Measures for risk mitigation including systems and processes for internal control of identified risks.
    - c. Business continuity plan.
- 3) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- 4) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- 5) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- 6) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- 7) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.



## **Annexure-A**

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.]

### **E. Banking and Finance Committee**

The role of the Committee is to open and close the bank accounts and modify the bank operation powers, borrow monies from the banks, financial institutions and other entity or persons for purpose of the business of the company provided that aggregate amount outstanding at one time not to exceed Rupees five hundred crore and approve and authorize for the execution of documentation with the banks, financial institutions and other persons for availing the loans and credit facilities from them and authorized to do other acts, deeds, matters and things facilitating the banking and finance functions of the Company."

### **F. Allotment Committee**

The role of the Committee is to consider and allot the shares, warrants, debentures and any other securities to the proposed allottees in one or more tranches from time to time."

**Code for Independent Director as per Schedule IV of the Companies Act, 2013 will be as under:**

**A. 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.

**B. 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. Scrutinize 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 control 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.

**C. 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.

### **Responsibilities of the Board as per Regulation 4 (2) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

#### **(i). Disclosure of Information**

1. Members of the Board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.
- (2) The Board and top management should conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision-making.

#### **(ii). Key functions of the Board**

The board should fulfill certain key functions, including:

1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.
2. Monitoring the effectiveness of the company's governance practices and making changes as needed.
3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.
4. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.
5. Ensuring a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.
6. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

7. Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
8. Overseeing the process of disclosure and communications.
9. Monitoring and reviewing Board Evaluation framework.

**(iii) Other responsibilities**

1. The Board should provide the strategic guidance to the company, ensure effective monitoring of the management and should be accountable to the company and the shareholders.
2. The Board should set a corporate culture and the values by which executives throughout a group will behave.
3. Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.
4. The Board shall encourage continuing directors training to ensure that the Board members are kept up to date.
5. Where Board decisions may affect different shareholder groups differently, the Board should treat all shareholders fairly.
6. The Board should apply high ethical standards. It should take into account the interests of stakeholders.
7. The Board should be able to exercise objective independent judgement on corporate affairs.
8. Boards should consider assigning a sufficient number of non-executive Board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
9. The Board should ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the company to excessive risk.
10. The Board should have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the company's focus.
11. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.

## **Annexure B**

12. Board members should be able to commit themselves effectively to their responsibilities.
13. In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information.
14. The Board and senior management should facilitate the Independent Directors to perform their role effectively as a Board member and also a member of a committee.



## IOL Chemicals and Pharmaceuticals Limited

### CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

#### **1. INTRODUCTION**

This Code of Conduct for the Board of Directors (hereinafter referred to as the Directors ) and Senior Management (hereinafter referred to as the Officers ) of the Company aims at maintaining the highest standard of Business Conduct & Ethics for the Company , provides guidance in difficult situations involving conflict of interest & moral dilemma and ensures compliance with all applicable laws.

#### **2. DEFINITIONS**

- 1) 'Senior Management' shall mean personnel of the company in the rank of general manger and above in the Company.
- 2) 'the Code' means this Code of Conduct for Directors and Senior Management .
- 3) Other terms not specifically defined here shall have the same meaning as assigned under the Companies Act, 2013 and rules and regulations made there under.

#### **3. CODE OF CONDUCT**

##### **1) NATIONAL INTEREST**

The Company and its Officers shall be committed in all its actions to benefit the economic development of the countries in which it operates. It shall not engage in any activity that would adversely affect such an objective. It shall not undertake any project or activity to the detriment of the nation's interests, or those that will have any adverse impact on the social and cultural life patterns of its citizens. The Company and its Officers shall conduct its business affairs in accordance with the economic, development and foreign policies, objectives and priorities of the nation's government, and shall strive to make a positive contribution to the achievement of such goals at the international, national and regional level, as appropriate.

##### **2) HONEST AND ETHICAL CONDUCT**

All the Directors and Officers should act in accordance with the highest standards of personal and professional integrity, honesty and ethics. Their conduct should be free from fraud and deception and it should help foster a culture of honesty, truthfulness, reliability, accountability and respect for human values in the Organisation.

**3) CONFLICTS OF INTEREST**

All Directors & Officers should be scrupulous in avoiding situations wherein financial or personal considerations tend to compromise the exercise of professional judgments in discharging of their duties. They should not allow personal interests to conflict with the interests of the Company. Acceptance of any undue offer, gift, money or money's worth or favour, whether for himself/ herself or for family members, from any business associates, is prohibited.

**4) CONFIDENTIALITY**

All Directors and Officers should respect the confidentiality of all the confidential information, regarding the Company including but not limited to technical processes, patents, business processes, product developments, R&D, expansion plans, prices of goods, raw materials and Plant & Machinery, its customers, suppliers, employees, associates etc., acquired by them in the course of their duties. No such information is to be disclosed except when it is authorized or legally required. The use of such information for his or her own advantage or profit is prohibited.

**5) PROTECTION AND PROPER USE OF COMPANY'S PROPERTY**

All Directors and Officers shall themselves make and ensure the use of Company's Property in most efficient and economic manner. All efforts should be made to protect the Company's Property from any misappropriation, theft, carelessness etc. and the Property must be used for legitimate and official purposes only.

**6) COMPLIANCE WITH ALL APPLICABLE LAWS**

All Directors and Officers must comply with all applicable Government Laws, Rules and Regulations. They should make themselves conversant with all the latest legal provisions required in discharging of their duties so that no action of them should jeopardize the Company .

**7) ENHANCING THE VALUE OF THE ORGANISATION**

All Directors and Officers should strive hard to adopt a customer oriented approach and to make the Company more competitive. They should endeavor to continuous improvement in all the business plans and processes, should foster suggestions / take innovative steps for the betterment of the Company .

**8) POLITICAL NON-ALIGNMENT**

The Company and its Officers shall be committed to and support a functioning democratic constitution and system with a transparent and fair electoral system in India. The Company and its Officers shall not support, directly or indirectly, any specific political party or candidate for political office. The Company shall not offer or give any company funds or property as donations, directly or indirectly, to any specific political party, candidate or campaign.



**9) DISCLOSURES**

All Directors and Officers should ensure to provide a full, fair, accurate, timely and understandable disclosures in all reports and documents required to be presented to shareholders, investors and other Government Authorities .

**4. DUTIES OF INDEPENDENT DIRECTORS**

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
- 9) Board;
- 10) 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;
- 11) 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;
- 12) report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

- 13) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- 14) 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

**5. VIOLATIONS OF CODE**

The Board of Directors will have the power to take appropriate action against anyone found violating the provisions of the Code . Where the Company has suffered a loss due to such violation , it may pursue remedies against the individual .

**6. REVIEW AND AMENDEMTNS OF THE CODE**

The Board of Directors is committed to continuously review and update the policies and procedures. Therefore, this code is subject to review and modifications as the Board may think appropriate from time to time .

This Code has been adopted by the Board of Directors of the Company in its meeting held on 13 August 2015.



## IOL Chemicals and Pharmaceuticals Limited

Annexure D

Registered Office: Trident Complex, Raikot Road, Barnala-148101 (Punjab)

Phone No. : +91-1679-244701-07 • Fax No. : +91-1679-244708

Email : [contact@iolcp.com](mailto:contact@iolcp.com) • Website : [www.iolcp.com](http://www.iolcp.com)

CIN No. : L24116PB1986PLC007030

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### CODE OF CONDUCT TO REGULATE, MONITOR AND REPORT TRADING BY DESIGNATED PERSONS

Regulation 9(1) of the newly introduced SEBI (Prohibition of Insider Trading) Regulations, 2015 (the "Regulations") requires a listed company to formulate a Code of Conduct to Regulate, Monitor and Report Trading by its **designated persons and immediate relatives of designated persons**, towards achieving compliance with the said Regulations, adopting the minimum standards, set out in Schedule B to the Regulations.

Accordingly, in supersession of the previous Code dated 01 May 2005, a Code of Conduct to Regulate, Monitor and Report Trading by Insiders (the "Code") for IOL Chemicals and Pharmaceuticals Limited (the "Company") is hereby framed as under -

#### IMPORTANT DEFINITIONS

1. In this Code :-

(1) "**Company**" means IOL Chemicals and Pharmaceuticals Limited.

(2) "**Compliance Officer**" means Company Secretary of the Company.

(3) "**Connected Person**" means:

(a) any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the Company or holds any position including a professional or business relationship between himself and the Company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

(b) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established,-

- (i) an immediate relative of connected persons specified in clause (i); or
- (ii) a holding company or associate company or subsidiary company; or

## Annexure D

- (iii) an intermediary as specified in Section 12 of the Act or an employee or director thereof; or
  - (iv) an investment company, trustee company, asset management company or an employee or director thereof; or
  - (v) an official of a stock exchange or of clearing house or corporation; or
  - (vi) a member of board of trustees of a mutual fund or a member of the board of directors of the asset management company of a mutual fund or is an employee thereof; or
  - (vii) a member of the Board of directors or an employee, of a public financial institution as defined in section 2 (72) of the Companies Act, 2013; or
  - (viii) an official or an employee of a self-regulatory organization recognised or authorized by the Board; or
  - (ix) a banker of the Company; or
  - (x) a concern, firm, trust, hindu undivided family, company or association of persons wherein a director of the Company or his immediate relative or banker of the Company, has more than ten per cent, of the holding or interest.
- (4) **"Generally available Information"** means information that is accessible to the public on a non-discriminatory basis.
- (5) **"Insider"** means any person who,
- (a) a connected person; or
  - (b) in possession of or having access to unpublished price sensitive information.
- (6) **"Immediate Relative"** means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities
- (7) **"Regulations"** means SEBI (Prohibition of Insider Trading) Regulations, 2015
- (8) **"Trading"** means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly
- (9) **"Trading Day"** means a day on which the recognized stock exchanges are open for trading;
- (10) **"Unpublished Price Sensitive Information"**: means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following:
- (a) financial results;
  - (b) dividends;
  - (c) change in capital structure;
  - (d) mergers, de-mergers, acquisitions, de-listings, disposals and expansion of business and such other transactions;
  - (e) changes in key managerial personnel; and

## Annexure D

- (11) **“legitimate purpose”** shall include sharing of unpublished price sensitive information in the ordinary course of business by an insider with partners, collaborators, lenders, customers, suppliers, merchant bankers, legal advisors, auditors, insolvency professionals or other advisors or consultants, provided that such sharing has not been carried out to evade or circumvent the prohibitions of these regulations

Any person in receipt of unpublished price sensitive information pursuant to a “legitimate purpose” shall be considered an “insider” for purposes of these regulations and due notice shall be given to such persons to maintain confidentiality of such unpublished price sensitive information in compliance with these regulations

Board of director shall maintained digital database with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such databases shall be maintained with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database

- (12) Other terms not specifically defined here shall have the same meaning as assigned under the SEBI (Prohibition of Insider Trading) Regulations, 2015

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#### Reporting

2. The Compliance Officer shall report on insider trading to the Board of Directors (“Board”) and in particular, shall provide reports to the Chairman of the Audit Committee, at such frequency as may be stipulated by the Board but not less than once in a year.

#### Information on a need to know basis & Chinese Wall procedures

3. (1) All information shall be handled within the organisation on a need-to-know basis and no unpublished price sensitive information shall be communicated to any person except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
- (2) Unpublished price sensitive information may be communicated, provided, allowed access to or procured, in connection with a transaction which entails:
- (a) an obligation to make an open offer under the takeover regulations where the Board of Directors of the Company is of informed opinion that the proposed transaction is in the best interests of the Company; or
  - (b) not attracting the obligation to make an open offer under the takeover regulations but where the Board of Directors of the Company is of informed opinion that the proposed transaction is in the best interests of the Company and the information that constitute unpublished price sensitive information is disseminated to be made generally available at least two trading days prior to the proposed transaction being effected in such form

as the Board of Directors may determine.

- (3) However, the Board of Directors shall require the parties to execute agreements to contract confidentiality and non-disclosure obligations on the part of such parties and such parties shall keep information so received confidential, except for the limited purpose and shall not otherwise trade in securities of the Company when in possession of unpublished price sensitive information

#### **Designated Persons**

4. Designated Persons includes: Directors, Key Managerial Personnel, Promoters, Vice president and above in the company. Every employee in the grade of Assistant Manager and above in IT or Secretarial staff and Account and Finance Department and any other person as the Board shall in consultation with the Compliance Officer may specify from time to time on the basis of their role and/or relation with the Company.

When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession.

#### **Prohibition on Trading of Securities**

5. (1) No Designated Persons and immediate relatives of designated persons, either on his own or on behalf of any other person shall trade in the Securities of the Company when in possession of Unpublished Price Sensitive Information.

- (2) **Trading pursuant to a Trading Plan:**

Designated Persons who are perpetually in possession of Unpublished Price Sensitive Information shall be entitled to formulate a trading plan for trading in Securities of the Company in compliant manner subject to the following conditions:

- (a) Trading Plan shall (i) not entail commencement of trading on behalf of the Designated Persons earlier than **six months** from the public disclosure of the plan; (ii) not entail trading for the period between the **twentieth trading day** prior to the **last day** of any financial period for which results are required to be announced by the issuer of the securities and the **second trading day** after the disclosure of such financial results; (iii) entail trading for a period of not less than **twelve months**; (iv) not entail overlap of any period for which another trading plan is already in existence; (v) set out either the value of trades to be effected or the number of securities to be traded along with the nature of the trade and the intervals at, or dates on which such trades shall be effected; and (vi) not entail trading in securities for market abuse.
- (b) Trading Plan shall be presented to the Compliance Officer for approval and public disclosure. The Compliance Officer shall consider the Trading Plan made as above and shall approve it forthwith. However, he shall be entitled to take express undertakings as may be necessary to enable such assessment and to approve and monitor the implementation of the Trading Plan as per provisions of the Regulations.

## Annexure D

- (c) Upon approval of the Trading Plan, the Compliance Officer shall notify the Trading Plan to the stock exchanges.
- (d) The Trading Plan once approved shall be irrevocable and the Designated Persons shall mandatorily have to implement the Trading Plan, without being entitled to either deviate from it or to execute any trade in the Securities outside the scope of the Trading Plan.

However, the implementation of the Trading Plan shall not be commenced, if at the time of formulation of the Trading Plan, the Designated Persons is in possession of any Unpublished Price Sensitive Information and the said information has not become generally available at the time of the commencement of implementation. The commencement of the Trading Plan shall be deferred until such Unpublished Price Sensitive information becomes generally available information. Further, the Designated Persons shall also not be allowed to deal in securities of the Company, if the date of trading in securities of the Company, as per the approved Trading Plan, coincides with the date of closure of Trading Window announced by the Compliance Officer.

### Trading Window

- 6. (1) **The trading window shall be closed from the date of intimation of Board Meeting to Stock Exchange for consideration of any Unpublished Price Sensitive Information.** Designated persons and their immediate relatives shall not trade in securities when the trading window is closed.
- (2) The Trading Window shall re-open after **48 hours** of the unpublished price sensitive information communicated to the stock exchanges and made public.
- (3) No insider shall trade in securities on a stock exchange when in possession of unpublished price sensitive information. However the insider may prove his innocence by demonstrating the circumstances as provided under regulation 4 such as off market inter-se transfer between insider, in case on non-individuals insiders, individuals who were in possession of unpublished price sensitive information were different from individuals taking decisions or trades were pursuant to a trading plan set up in accordance with regulation 5.

Off-market trades shall be reported by the insiders to the company within two working days. Company shall notify the particulars of such trades to the stock exchange on which the securities are listed within two trading days from receipt of the disclosure or from becoming aware of such information

- (4) In the case of connected persons the onus of establishing that they were not in possession of unpublished price sensitive information shall be on such connected person.
- (5) In case of ESOPs, exercise of option may be allowed in the period when the trading window is closed. However, trading of shares allotted in exercise of ESOPs shall not be allowed when trading window is closed.

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- (6) Trading window norms shall not be applicable for trades carried out in accordance with an approved trading plan.

### Pre-clearance of trades

7. (1) When the trading window is open, trading by designated persons shall be subject to pre-clearance by the Compliance Officer, if the **value of the proposed trade(s) exceeds Rs. 10 lacs (Ten lacs) or 10,000 (Ten thousand) equity shares, whichever less, in any quarter**, or such other limits as the Board of Directors may stipulate. Designated persons shall require pre-clearance from the Compliance Officer in **Application-cum-undertaking for pre-clearance** (enclosed as **Annexure I**).

Pre-clearance of trades shall not be required for a trade executed as per an approved trading plan.

- (2) Prior to approving any trades, the Compliance Officer shall be entitled to seek declarations to the effect that the applicant for pre-clearance is not in possession of any unpublished price sensitive information. He shall also have regard to whether any such declaration is reasonably capable of being rendered inaccurate.
- (3) Order in respect of securities shall be executed within **seven trading days** after approval is granted by the Compliance Officer, failing which fresh pre-clearance would be needed for the trades to be executed.
- (4) A designated person who is permitted to trade shall not execute a **contra trade** within a period of **six months** following the prior transaction. Relaxation may be given from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these Regulations. In the event, any such contra trade is executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to SEBI for credit to the Investor Protection and Education Fund administered by SEBI under the Act. **This shall not be applicable for trades pursuant to exercise of stock options.**

Restrictions on contra trade shall not be applicable for trades carried out in accordance with an approved trading plan.

### Disclosure Responsibilities & formats

8. The disclosures to be made by any person shall **include** those relating to trading by such **person's immediate relatives** and by any other person for whom such person takes trading decisions.

#### (1) Initial Disclosures of holdings

- (a) Every **promoter, key managerial personnel and director** of the Company shall disclose in the **'Form A'** as prescribed under the Regulations (enclosed as **Annexure II**), his holding of securities of the Company as on the date of these Regulations taking effect i.e. 15 May



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2015 to the Company within **thirty days** of these Regulations taking effect that is **on or before 14 June 2015**.

- (b) Every person **on appointment** as a **key managerial personnel or a director** of the Company or upon becoming a **promoter** shall disclose in the '**Form B**' as prescribed under the Regulations (enclosed as **Annexure III**), his holding of securities of the Company as on the date of appointment or becoming a promoter, to the Company within **seven days** of such appointment or becoming a promoter.

### (2) Continual Disclosures of trades

- (a) Every **promoter, designated person and director** of the Company shall disclose to the Company in the '**Form C**' as prescribed under the Regulations (enclosed as **Annexure IV**), the number of such securities acquired or disposed of within **two trading days** of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value **in excess of Rs. 10,00,000/- (Rupees Ten lakh)** or such other value as may be specified;
- (b) The Company shall within a period of **two trading days** from the date of receipt of such disclosures, inform the Stock Exchanges particulars of such trading as per the form specified by the SEBI under the Regulations.

- (3) Every designated person shall report his holding in securities **on an annual basis** with in **30 days** of end of the financial year in '**Form D**' as prescribed under the Regulations (enclosed as **Annexure V**).

- (4) Designated persons shall be required to disclose names and Permanent Account Number of the following persons to the company on an annual basis and as and when the information changes:
  - a) immediate relatives
  - b) persons with whom such designated person(s) shares a material financial relationship
  - c) Phone, mobile and cell numbers which are used by them

In addition, the names of educational institutions from which designated persons have graduated and names of their past employers shall also be disclosed on a one time basis.

Explanation – The term “material financial relationship” shall mean a relationship in which one person is a recipient of any kind of payment such as by way of a loan or gift during the immediately preceding twelve months, equivalent to at least 25% of such payer’s annual income but shall exclude relationships in which the payment is based on arm’s length transactions.

### Penalty for contravention of Code of Conduct

- 9. Any Designated Person contravening the Code will be liable to penalty and appropriate disciplinary action including remuneration freeze, suspension, dismissal, recovery, claw back etc. as may be decided by the Chairman of the Board in consultation with the Compliance Officer.

## **Annexure D**

In case it is observed by the company that there has been a violation of these regulations, it shall inform the Board promptly.

### **Applicability of the Code to certain persons**

10. The Regulations apply to certain persons who by being in any contractual, fiduciary or employment relationship or holding any position including a professional or business relationship with the Company whether temporary or permanent have access, directly or indirectly, to unpublished price sensitive information or are reasonably expected to allow such access. They are advised to adhere to the Regulations strictly. In case it is observed by such persons required to formulate a code of conduct under sub-regulation (1) and sub-regulation (2) of regulation 9, that there has been a violation of these Regulations, they shall inform SEBI promptly, with a copy to the Company.

This Code is subject to review by the Board from time to time.