



CODE FOR INDEPENDENT DIRECTORS

The Companies Act, 2013 lays down detailed “Code for independent directors” containing guidelines for professional conduct, roles and responsibilities. The company and independent directors are required to comply with the same.

Guidelines to Code

- To uphold ethical standards of integrity and probity;
- To act objectively and constructively while exercising his duties, responsibilities in a bona fide manner in the interest of the company;
- To devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- Not to 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
- Not to abuse his position to the detriment of the company or its shareholders of for the purpose of gaining direct or indirect personal advantage or advantage for any associated persons;
- Safeguard the interests of all stakeholders, particularly the minority shareholders;
- Refrain from any action that would lead to loss of his independence;
- In case of circumstance arise where independent directors lost his independence he should inform to the board accordingly; and
- To assist the company in implementing the best corporate governance practices.

In performance of duties, functions, or obligations of Independent Director:

- He must update himself 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;
- Make an objective approach in the evaluation of the performance of board and management;
- Scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- Satisfy them-selves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- They must safeguard the interests of all stakeholders, particularly the minority shareholders and balance the conflicting interest of the stakeholders;
- Determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime facie role in



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appointing and where ever necessary recommend removal of executive directors, key managerial personnel and senior management;

- Must moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

A Director owes a Fiduciary responsibility to the Company

- Has to undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- Must 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;
- 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;
- Keep themselves well informed about the company and the external environment in which it operates;
- 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;
- 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;
- Report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- 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.

Manner of Appointment, Reappointment, Resignation or Removal of Independent Director:

Appointment

- The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- 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.



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- 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 appoint and fulfill the conditions specified in the Act and the rules made there under and that the proposed director is independent of the management.

The appointment of independent directors 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.

Re-appointment:

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

Resignation or removal:

- The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 (Resignation of Director) and 169 (Removal of Director) of the Act.



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- 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.
- Where the company fulfills 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.

Meeting of Independent Directors for evaluation of Board

- 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;
- All the independent directors of the company shall strive to be present at such meeting;
- 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.

Performance mechanism of Independent Directors

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

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.
