

Date : [*]

Dear [*],

Subject: Appointment Letter - Your Appointment as an Independent Director of Dishman Pharmaceuticals and Chemicals limited

We thank you for your confirmation to the Company that you are meeting the criteria prescribed under Section 149 (6) of the Companies Act, 2013 (Act) and proposed Clause 49 of the Listing Agreement (effective from 1st October 2014) and also your consent to hold the office of the Director of the Company.

We are pleased to inform that pursuant to your confirmation and based on the recommendations of the Nomination and Remuneration Committee and the Board of Directors, the shareholders of the Company have approved your appointment as an Independent Director of the Company on the Board of the Company.

As per the requirements of the Companies Act, 2013, the above is being formalized through this letter of appointment. Please note that this is neither a contract of service nor a contract of employment.

Other terms and conditions of appointment are as follows:

1. The term of appointment:

Your Appointment will be for an initial term upto [*] and shall take effect from [*] unless terminated or extended as per the provisions of the applicable laws (Term of Appointment)

This tenure is subject to your meeting the criteria for being an Independent Director and not being disqualified to be a Director under the applicable provisions and regulations.

As an Independent Director, you will not be liable to retire by rotation.

2. The expectations of Board from the appointed Director:

- a. Time Commitment : The Company anticipates a commitment of sufficient time and attention as necessary in order to perform your duties under the appointment.
- b. Strategy : The Company expects that you will constructively challenge and contribute to the development of the strategy.

- c. Performance : You shall scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- d. Risk : You should satisfy yourself that the financial information is accurate and that financial controls and systems of risk management are robust and defensible.
- e. Confidentiality : You must apply the highest standards of confidentiality and not disclose to any person or Company (Whether during the course of Appointment or at any time after its termination) any confidential information concerning the Company and any group Companies with which you come into contact by virtue of your position as an Independent Director of the Company.

3. Appointment in Board-level committee and its tasks:

During the appointment you may be asked to serve on one or more of the Board Committees and you have been provided with copies of terms of reference for each of those committees.

4. The fiduciary duties that come with such appointment along with accompanying liabilities:

- a. You will follow “the Code for Independent Director” as per Schedule IV of the Companies Act, 2013 and Code of Conduct for the Board members as specified by the Company from time to time. We further inform that the applicable provisions of Clause 49 of the Listing Agreement will be made applicable with effect from 1st October 2014.
 - b. You shall display utmost alacrity in approving financial statement.
 - c. You shall disclose interest in any of the contract or arrangements and also disclose the interest on periodical basis as required under law.
 - d. You shall strive to attend all meeting including Board, Committee and General Meetings. You shall actively participate in the meetings.
 - e. You shall not misuse the assets, property, information or any other matter that may be in possession, in the capacity as a Director of the company.
 - f. You shall ensure compliance of all the laws of the land.
- The duties and liabilities that come with your appointment would be as per applicable laws, Company’s policies and the Articles of Association of the Company.

The above list is only indicative and not exhaustive.

You shall not breach any of the terms and conditions pertaining to Independent Directors as mentioned in the Companies Act, 2013 and rules made there under.

Any breach of fiduciary duties would warrant civil and criminal action or both by the Company, its shareholders, statutory authorities and others. The Companies Act, 2013, envisages huge penalties and imprisonment for such breaches. You are also exposed to Class Action suit by Shareholders.

5. Communication through Electronic means:

You may give your consent by advance notification to the Chairman or Company Secretary to participate in any meeting (s) of the Board or Committee of directors, when necessary through video conferencing or other audio visual means, except for matters not to be so dealt under the Companies Act, 2013. When necessary, you can also participate through telephone, electronic mail or any other technology which permits you to communicate with every other Director, though such participation would not be reckoned as attending the meeting under the Companies Act, 2013.

6. Directors and Officers (D and O) Insurance, if any:

The Company has already taken D and O Insurance Policy for the Directors and Officers, duly approved by the Board, which are being renewed from time to time.

7. The Code of Business Ethics that the Company expects its directors and employees to follow:

The Company has formulated a detailed Code of Conduct for the Board of Directors and Senior employees of the Company. You shall annually affirm in writing, the compliance with the code.

8. The list of actions that a director should not do while functioning as such in the Company:

You shall not :

- a. misuse the information in your possession for personal gains.
- b. engage in any way (both directly or indirectly) with the competitors.
- c. in any way indulge in activities which may be construed as conflict of interest.
- d. enter into any contract or arrangements wherein you are directly or indirectly interested.
- e. break any law of the land or indulge or provoke the co-directors or employees to do the same.

The above list is only indicative and not exhaustive.

9. The remuneration, sitting fees, reimbursement of expenses for participation in the Boards and other meetings, if any:

The remuneration policy and policy on sitting fees for Professional director/non-executive directors/whole time director, Managing director, is reviewed by the Board or Committee thereof. The expenses incurred by the Directors for attending the Board or Committee Meetings or any other work are reimbursed as may be approved by the Board.

You shall be entitled to sitting fee of Rs.20,000/- for attending the meetings of the Board and meetings of Committees either personally or through Video Conference or other audio visual means or for any other purpose whatsoever as may be decided by the Board of Directors. The fee payable shall be subject to applicable tax deduction at source.

In addition to the above, a profit related Commission may also be payable to you. In determining the amount of commission, the Remuneration Committee and Board may consider various factors as disclosed in the remuneration policy forming part of the Board's Report.

10. Evaluation Processes:

Your performance evaluation shall be done by the Board of Directors annually, without your participation. You will participate in reviewing the performance of non-Independent directors and the Board as a Whole, performance of the Chairman and other independent directors.

11. Disclosures:

During your tenure, you shall promptly inform the change in your other directorships or other interest as may be required under the applicable laws. You shall promptly intimate to the Company Secretary upon becoming aware of any potential conflict of interest with your position as Independent Director of the Company or to any other authority as may be required in the prescribed manner.

During the term, you shall promptly provide a declaration under Section 149 (7) of the Companies Act, 2013 upon any change in the circumstances which may affect your status as an Independent Director.

12. Termination:

Your directorship on the Board of the Company shall be terminated or ceased in accordance with Law. Apart from the grounds of Termination as specified in the Companies Act, 2013, your directorship may be terminated for violation of any provisions of Code of Conduct as applicable to Directors.

You may resign from the directorship of the Company by giving a notice in writing to the Company stating the reasons for resignation. 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.

13. Miscellaneous:

All the terms as mentioned above including your appointment, remuneration, professional conduct, role and functions, duties and evaluation shall be governed by the Companies Act, 2013 and Rules made thereunder and Corporate Governance requirements under the Listing Agreement, as amended from time to time.

The Appointment Letter is issued based on the Act, Rules and other Regulations prevalent at the time of appointment. Any change in above, shall automatically entail changes in the terms and conditions.

No waiver or modification of this letter shall be valid unless made in writing and signed by you and by the Company.

As per the provisions of Clause 49 of the Listing Agreement, this letter of appointment will be displayed on the website of the Company and the website of the relevant Stock Exchanges where the shares of the Company are listed.

This letter and any non-contractual obligations arising out of or in connection with this letter are governed by, and shall be construed in accordance with the Laws of India and subject to the exclusive jurisdiction of the Courts in India.

The Board or its Committee is empowered to change the policy, from time to time. Such change in policy shall be informed to you.

The Board or its Committee are empowered to review and change the terms and conditions of this letter. Any changes, thereof, will be informed to you.

We hope to sail smoothly and look forward for your valuable contribution to the growth of the Company.

Thanking you,

Yours faithfully,

For, Dishman Pharmaceuticals & Chemicals Ltd.

Arpit Janmejy Vyas
Managing Director
(DIN: 01540057)

Encl: Annexure containing relevant extracts of the provisions of the Companies Act, 2013

ANNEXURE

Relevant Extracts of the provisions under Companies Act, 2013

Officers in Default : Section 2(60):

“officer who is in default”, for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:—

- (i) whole-time director;
- (ii) key managerial personnel;
- (iii) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;
- (iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;
- (v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;
- (vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;
- (vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer;

The Directors’ Responsibility Statement referred to in clause (c) of sub-section (3) shall state that—

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation.—For the purposes of this clause, the term “internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Section 166 - Duties of Directors

- (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
- (2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- (3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- (5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (6) A director of a company shall not assign his office and any assignment so made shall be void.
- (7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

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 fulfilment 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) 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 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 fulfills 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 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.

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.

For, Dishman Pharmaceuticals & Chemicals Ltd.

Arpit Janmejy Vyas
Managing Director
(DIN: 01540057)