

**Mafatlal Industries Limited**

Charter on

**Nomination, Remuneration & Evaluation of**

**Performance**

**Policy, Procedures including Policy on Board**

**Diversity**

(Approved by the Board on 29<sup>th</sup> March, 2022)

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## 1. PURPOSE

The primary function of the Nomination and Remuneration Committee (the 'Committee') is to assist the Board of Directors in fulfilling its governance and supervisory responsibilities relating to nomination of directors and remuneration of selected personnel (including directors).

The Committee is also required to recommend the remuneration of the Directors, Key Managerial Personnel and Senior Management of the Company.

The terms Director, Key Managerial Personnel and Senior Management shall have the meaning ascribed to them under the Companies Act, 2013 and are re-produced as under:

**Director** means a director appointed to the Board of a company

**Key Managerial Personnel**, in relation to a company, means—

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed;

**Senior Management** means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

The purpose of this Policy is to lay down guidelines to enable the Committee execute its role and responsibilities. This Policy and the Committee shall be further governed by the provisions of Section 178 of the Companies Act, 2013 and other statutory provisions governing the matter.

## **2. COMPOSITION OF THE COMMITTEE AND OTHER MATTERS**

### **2.1 Composition**

**The Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which at least 2/3<sup>rd</sup> of the directors shall be independent directors as members.**

**The Chairperson of the Company shall be an independent director of the Company. Provided that the chairperson of the Company whether executive or non-executive, may be appointed as member of the Committee and shall not chair such Committee.**

The Committee may choose to invite such management personnel or external invitees, as it considers necessary or desirable in pursuing its mandate.

### **2.2 Appointment and Removal of Committee Members**

Each member of the Committee shall be appointed by the Board and shall serve as a member of the Committee in accordance with the terms determined by the Board or till ceasing to be a member of the Board whichever is earlier. The Board may fill a vacancy in the membership of the Committee at its discretion.

### **2.3 Chairperson**

At the time of appointment of the members of the Committee, the Board shall also appoint a Chairperson who will be an independent Director. The Chairperson shall be a member of the Committee and shall preside over all meetings, coordinate the Committee's compliance with its mandate, work with management to develop the meeting agendas, annual work-plan, and provide reports of the Committee to the Board.

## **3. MEETINGS AND OTHER MATTERS**

### **3.1 Meetings**

The members of the Committee shall hold meetings at such periodicity **(not being less than once a year)** as are required to carry out its mandate. One annual meeting shall

be held every year at the time of determining the final compensation packages in relation to the Directors, Key Managerial Personnel and Senior Management of the Company.

The Chairperson shall preside over all Committee meetings, and in the absence of the Chairperson, the members of the Committee present may appoint a chairperson from their number for a meeting.

### **3.2 Secretary and Minutes**

The Company Secretary shall act as the secretary for Committee meetings. Minutes of the meetings shall be recorded and maintained by the Company Secretary and subsequently presented to the Committee for approval.

### **3.3 Quorum**

The presence of one-third or two members of the Nomination and Remuneration Committee, whichever is higher, **including at least one independent director in attendance**, shall constitute a quorum.

### **3.4 Access to Management and Outside Advisors**

The Committee shall have unrestricted access to management and employees of the company. The Committee shall have the authority to retain and terminate consultants or advisors to assist it in fulfilling its responsibilities and to set and pay the compensation of such advisors.

### **3.5 Meetings without Management**

The Committee may hold meetings or portions of regularly scheduled meetings, at which any person belonging to the management is not present.

## **4 ROLE AND RESPONSIBILITIES OF THE COMMITTEE :**

### **4.1 NOMINATION & REVIEW :**

The responsibilities of the Committee are as follows:

- i. identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
- ii. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- iii. while formulating the policy under sub-section (3) ensure that—
  - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
  - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:
- iv. Review and recommend to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chairman and Managing Director and/or CEO.
- v. Review and recommend to the Board the criteria for Board membership, including assessment of necessary and desirable competencies of Board members.
- vi. Assist the Board as required to identify individuals who are qualified to become Board members (including in respect of executive directors), in accordance with the policy outlined in clause 5.
- vii. Review and recommend to the Board membership of the Board, including recommendations for the appointment and re-election of directors and where necessary propose candidates for consideration by the Board, subject to the principle that a Committee member must not be involved in making recommendations to the Board in respect of themselves.

- viii. Assist the Board as required in relation to the performance evaluation of the Board, its Committees and individual Directors and in developing and implementing plans for identifying, assessing and enhancing director competencies.
- ix. Review and make recommendations in relation to any Corporate Governance issues as requested by the Board from time to time.
- x. Review the Board policy on a periodic basis, and recommend any amendments for Board consideration.
- xi. Review the time expected to be devoted by non-executive directors in relation to the Company's affairs.
- xii. **should evaluate the following and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director:**

**a. balance of skills**

**b. knowledge and experience on the Board.**

**Based on such evaluation and description so prepared, the person recommended by NRC to the Board for appointment as an independent director shall have the capabilities identified in such description.**

- xiii. Ensure that an effective induction process is in place for any newly appointed Director and regularly review its effectiveness.
- xiv. The Committee must at all times have regard to and notify the Board as appropriate of all legal and regulatory requirements, including any shareholder approvals which are necessary to obtain.
- xv. The Committee Chairperson or if they are not available, a Committee member should attend the Annual General Meeting and make themselves available to answer any questions from shareholders about the Committee's activities or if appropriate, the Company's remuneration arrangements.

## **4.2 ROLE AND RESPONSIBILITIES – REMUNERATION**

The responsibilities of the Committee are as follows:

- i. Review and recommend arrangements for the Executive Directors and the Senior Management (Executives reporting to the Managing Director & CEO), including contract terms, annual remuneration and participation in the Company's short and long-term incentive plans.
- ii. Review major changes and developments in the Company's remuneration, recruitment, retention and termination policies and procedures for Senior Management, remuneration policies, human resource practices and employee relations strategies for the Company.
- iii. Review the Senior Management performance assessment processes and the annual results of those assessments.
- iv. Review and approve short-term incentive strategy, performance targets and bonus payments.
- v. Review and recommend to the Board the remuneration arrangements for the Chairman and the Non-Executive Directors of the Board, including fees, Commission, travel and other benefits.
- vi. Be satisfied that the Board and management have made available to them sufficient information and external advice to ensure informed decision-making regarding remuneration.

## **5. POLICY AND PROCEDURE NOMINATION & REMUNERATION**

### **5.1. Nomination:**

- i. Having regard to the requirements of section 178 of the Companies Act, 2013 and the provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations,



2015 (SEBI LODR), The Nomination & Remuneration Committee formulated the policy and laid down the following criteria :

**A. Criteria for appointing a Director:**

- a. He should be a person of integrity, with high ethical standards.
- b. He should be able to commit to his responsibilities and devote sufficient time and attention to his professional obligation as a Director.
- c. He should be having courtesy, humility and positive thinking.
- d. He should be knowledgeable and diligent in updating his knowledge
- e. He should have qualifications, skills, experience and expertise by which the Company can benefit.
- f. In respect of independent director, in addition to above (a)to (g), he should fulfil the criteria for being appointed as Independent Director prescribed under section 149 of the Companies Act, 2013 read with Schedule IV to the said act and the provisions of clause 49 of the Listing Agreement.
- g. In respect of Executive/Whole time Director/Managing Director, in addition to above (a)to (g), he should have strong quality of leadership and team mentoring, recognition, management skills, vision, ability to steer the organization even in adverse conditions, innovative thinking, result oriented, ability to enhance reputation of the organization.

**B. Criteria for appointing a Senior Management Employee/ Key Managerial Personal:**

- a. He should have the required educational, qualification, skills and functional knowledge for the post and eye for detailing & compliance
- b. He should have integrity, humility, positive thinking, leadership qualities, sincerity, alert, hardworking, team building ability, good soft skills, transparency in dealings with the company and other stakeholders.

- ii. The Committee shall have regard to
  - the qualifications, skills, experience, expertise and personal qualities, positive attributes etc. of the candidate that will best complement Board and/or senior management effectiveness;
  - the capability of the candidate to devote the necessary time and commitment to the role. This involves a consideration of matters such as other Board or executive appointments;
  - screening of the potential conflicts of interest and independence .
  
- iii. Detailed background information in relation to a potential candidate should be provided to all directors.
  
- iv. The identification of potential candidates may be assisted by the use of external search organizations as may be considered appropriate.

## **5.2. POLICY ON REMUNERATION**

The remuneration policy of the Company is performance driven and is structured to motivate Directors, Senior Management and employees, recognizing their talent, merits, achievements and promote excellence in their performance.

### **1. For Executive/Whole time Directors including Managing Director and Senior Management:**

The Board of Directors and Nomination & Remuneration Committee is authorized to decide /recommend the remuneration and other terms of appointment of such Directors and Senior Management employees (one level below executive directors) of the Company. The remuneration structure shall inter-alia, include salary, perquisites, retirement and/superannuation benefits as per law and/or as per HR Policy of the Company, performance linked incentives, commission, bonus and other entitlements as applicable from time to time. Based on the performance appraisals, the changes in the remuneration shall be decided/recommended.

## **2. Other Terms applicable to Executive Directors and Senior Management employees:**

- i. The Remuneration and terms of employments shall be fixed/ recommended in such a manner that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks and the remuneration involves a good balance between fixed and incentive pay (considering industry benchmark/practice) reflecting short and long term performance objectives appropriate to the working of the Company and its Goals.
- ii. no director or executive should be directly involved in determining their own remuneration or performance evaluation.
- iii. The Executive Director, Whole time Director/ Managing Director and/or Senior Management Employee shall be eligible for advances/loans as per prevalent HR Policy of the Company subject to the applicable statutory provisions and approvals.

## **6. Policy on Board Diversity:**

The Company will endeavour to appoint Directors on its Board from diverse background so as to obtain optimum benefits. It will in particular to seek;

### **1) Functional diversity:**

Directors having different functional skills like finance, legal, marketing, science, technology, human resources, general management, etc.

### **2) Industry | sector diversity:**

Directors from different industry sectors and profession.

### **3) Category diversity:**

Directors from promoter group and professionals

### **4) Gender diversity:**

Directors from both sexes

## **7. EVALUATION OF PERFORMANCE:**

The Nomination & Remuneration Committee (NRC) has as approved by the Board of Directors of the Company, specified the following manner for effective evaluation of performance of the Board, its Committees and individual directors to be carried out either by the Board or by NRC and review its implementation and compliance.

### **A. Subject of Evaluation :**

1. Board as a whole
2. Committees of the Board
3. Individual Directors and Chairperson (including Chairperson, CEO, Independent Directors, Non-independent directors, etc.)

### **B. Process of Evaluation**

The evaluation shall be carried out annually by the Board and/or Committee as may be required under applicable provisions.

#### **1. Objective of Evaluation:**

The primary objective of the evaluation is to recognise the strengths, identify improvement areas and anticipate the emerging business needs that could help the Board, its Committees and individual directors meet the emerging business needs to realize the corporate vision and goals and also to conform to the applicable provisions of the evaluation provided under The Companies Act, 2013 and the SEBI (Listing Obligation and Disclosure Requirements) 2015.

#### **2. Criteria of evaluation:**

##### **I. Board as a whole:**

##### **(a) Structure of the Board & its functions, role & responsibilities:**

- i. process of appointment of director includes provisions to consider diversity i.e. gender, background, competence, experience, perspective in the board and Adequate representation of Independent Directors on the board.
- ii. Competency of directors including, their academic qualifications, knowledge, experience and Optimum combination of knowledge, experience and skill in Board process
- iii. Appropriate allocation of time between Board discussion and Management
- iv. Appropriate disclosure of personal interest, if any, in transactions and abstain from voting where required, by Directors.

- v. Adequate time allocation for discussion on critical issues
- vi. The atmosphere (of the Boardroom) encourages critical thinking
- vii. Review of Company's vision, strategy and business plan
- viii. Deliberates on investment proposals
- ix. Reviews the performance in a holistic way and Deliberation on reporting of performance
- x. The Board constructively challenges the Management with respect to strategy and performance
- xi. The Board reviews internal financial controls, related party transactions and other material transactions
- xii. The Boards deliberates on key appointments
- xiii. The Board ensures that the Management has put in place a proper risk management process
- xiv. The Board ensures that its Committees are functioning properly
- xv. The Board ensures that there is an effective investor relations policy/Processes and CSR policy in place
- xvi. The Board overall ensures a high standards in compliance and Corporate Governance
- xvii. Management Responses to the Directors queries and suggestions supported with appropriate facts and with courtesy
- xviii. Management receives suggestions/advice of the Directors in good spirit and open mind.
- xix. Performing the role and responsibility as provided under Companies Act, 2013 read with other applicable provisions including SEBI LODR Regulations,2015 or others as applicable.

**(b) Meetings of the Board:**

- i. The Meetings is held regularly at periodic intervals conforming to the statutory requirements.
- iii. Meeting logistics, arrangements for the meetings, venue, format, timings, and requisite support is provided for Directors
- iv. Agenda papers and further required papers, documents, information are provided well in time to directors conforming to the statutory requirements including secretarial standard as applicable.

- v. Free flowing unrestricted discussions and healthy debates occurs on all agenda points and discussion matters at the meeting wherein all members participate and even dissenting voices of directors are well taken and explained.
- vi. Recording of Minutes are done appropriately
- vii. Dissemination of information pertaining to the Meetings are done well in time and detailed agenda notes with documents if required are provided regularly. Beside material updates on business is provided to directors in between two meetings.
- viii. Evaluation of Risks:  
whether Board undertakes review of high risk issues impacting the business and ensures/satisfy itself about prudent risk management.
- ix. Grievance redressal for Investors mechanism review is done by Board regularly .
- x. Conflict of interest  
Whether Board monitors and manages conflicts of interest of management and the members of Board, to whom the Code of Conduct of the Company is applicable including misuse of corporate assets and abuse in related party transactions and whether directors are assigned task to review any potential conflict of interest .
- xi. Stakeholders value and responsibility:
  1. Whether the decision making process of the Board is adequate to assess creation of stakeholder value
  2. Whether the Board has mechanisms in place to communicate and engage with various stakeholders
  3. Whether the Board acts on a fully informed basis, in good faith, with due diligence and care, with high ethical standards and in the best interest of the entity and the stakeholders.
  4. Whether the Board treats shareholders and stakeholders fairly where decisions of the board of directors may affect different shareholder/ stakeholder groups differently.
  5. Whether the Board regularly reviews the Business Responsibility Reporting / related corporate social responsibility initiatives of the entity and contribution to society, environment etc.
- xii. **Corporate culture and values:** Whether the Board sets a corporate culture and the values by which executives throughout a group shall behave
- xiii. **Review of Board evaluation:** Whether the Board monitors and reviews the Board evaluation framework.
- xiv. **Facilitation of independent directors:** Whether the Board facilitates the independent directors to perform their role effectively as a member of the board of directors and Committee of board of directors.

**d. Board and management:**

***i. Evaluation of performance of the management and feedback:***

1. Whether the Board evaluates and monitors management, especially the CEO regularly and fairly and provides constructive feedback and strategic guidance

2. Whether the measures used are broad enough to monitor performance of the management
  3. Whether the management's performance is benchmarked against industry peers
  4. Whether remuneration of the management is in line with its performance and with industry peers
  5. Whether remuneration of the Board and the management is aligned with the longer term interests of the entity and its shareholders.
  6. Whether the Board selects, compensates, monitors and, when necessary, replaces key managerial personnel based on such evaluation.
- ii. **Independence of the management from the Board:** Whether the level of independence of the management from the Board is adequate.
- iii. **Access of the management to the Board and Board access to the management:** Whether the Board and the management are able to actively access each other and exchange information
- iv. **Secretarial support:** Whether adequate secretarial and logistical support is available for conducting Board meetings
- v. **Succession plan:** Whether an appropriate and adequate succession plan is in place and is being reviewed and overseen regularly by the Board
- e. **Professional development:**
- i. Whether adequate induction and professional development programmes are made available to new and old directors
  - ii. Whether continuing directors training is provided to ensure that the members of board of directors are kept up to date

## **II. Committees of the Board**

- a. **Mandate and composition:** Whether the mandate, composition and working procedures of committees of the board of directors is clearly defined and disclosed.
- b. **Effectiveness of the Committee:** Whether the Committee has fulfilled its functions as assigned by the Board and laws as may be applicable
- c. **Structure of the Committee and meetings:**
  - i. Whether the Committees have been structured properly and regular meetings are being held
  - ii. In terms of discussions, agenda, and requisite information for the meetings, as laid down hereinabove for the Board Meetings are applicable to the Committee meetings

- d. **Contribution to decisions of the Board:** Whether the Committee's recommendations contribute effectively to decisions of the Board.

### **III. Individual Directors and Chairperson (including Chairperson, CEO, Independent and Non Independent Directors :**

#### **GENERAL:**

- i. Well educated, experienced having knowledge and competency
- ii. Participation in the vision and strategy of the Company and understanding and fulfilment of the functions assigned to him/her by the Law or Board/Committees.
- iii. Integrity, initiative, Commitment and Discipline towards his roll and responsibilities including conforming to the applicable laws, regulations, rules and guidelines issued thereunder.
- iv. Exercising Independent views, prudence & Judgement, without conflict of any interest.
- v. Maintenance of satisfactory attendance at the meetings of the Board and its Committees.
- vi. Diligence in preparation and remaining well-informed, taking initiative with respect to various areas.
- vii. Participation in reviews of the internal financial controls and performance and seeking clarification and amplifications as required.
- viii. Participation in decision-making Process & making constructive suggestions, maintaining impartiality, ability to function as a Team.
- ix. Participation in Risk Management and material issues of the Organisation and making constructive advise/suggestion.
- x. Communication –meaningful and in constructive manner and giving fair chance to others for expressing their views.
- xi. Contribution in implementing and sustaining good governance practices and review of compliances.
- xii. Giving due weightage to the interest of all the stakeholders including shareholders.

#### **Additional areas for Independent Directors:**

Ensuring the independence (from the entity and other directors and there is no conflict of interest), exercising independent views and judgement and performing the duties of independent director as prescribed under applicable statutory provisions as also the specific duties/role assigned to them by Board/Committees.

#### **Additional areas for Chairperson & Executive Directors:**

Effective leadership, ability to steer the business as a whole or the specific functional roles allocated. Maintaining impartiality in conduction meetings/discussions and seeking/taking views and dealing appropriately with dissent, constructive criticism, and overall ability to keep stakeholders interest during discussions and decisions.



### **3. Method of Evaluation & Feedback and further action:**

The evaluation can be internal assessment by means of written or oral assessments, interviews and other means as may deem fit by the evaluating authority/directors. After the evaluation is done, appropriate feedback shall be shared with the Board, Committees, and individual Directors or any other suitable person. Based on the feedback, suitable actions should be taken by the concerned i.e. action plan may be devised, corrective action may be taken, actions for bridging the gaps on the expectations of performance and time lines to be thought of and adhered for the same.

### **7. REVIEW**

The Board may from time to time, assess the adequacy of this Policy and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, current law and best practice.

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**First Review :**

*This Policy is reviewed /revised by the Nomination & Remuneration Committee at their meeting held on 16<sup>th</sup> March, 2015 and approved by the Board of Directors of the Company at their meeting held on 17<sup>th</sup> March, 2015.*

**Second Review :**

*This Policy is reviewed/ revised by NRC at their meeting held on 28<sup>th</sup> March, 2018 and approved by the Board at their meeting held on 29<sup>th</sup> March, 2018 considering the amendments in Companies Act, 2013 (vide Amendment Act,2017) read with SEBI (LODR) Regulations, 2015 as amended and the SEBI Guidance Note on evaluation issued on 5<sup>th</sup> January, 2017.*

**Third Review :**

*This Policy is reviewed/ revised by NRC at their meeting held on 28<sup>th</sup> March, 2022 and approved by the Board at their meeting held on 29<sup>th</sup> March, 2022 considering the amendments in Companies Act, 2013 (vide Amendment Act,2018) read with SEBI (LODR) Regulations, 2015 as amended by SEBI vide its notification dated 03rd August, 2021 effective from 1<sup>st</sup> January, 2022.*