

REFNOL RESINS AND CHEMICALS LIMITED

(CIN: L24200MH1980PLC023507)

Registered Office:
410/411, Khatau House,
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POLICY ON NOMINATION, REMUNERATION & EVALUATION

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1. Objective

1.1. The objective of this Policy is to guide the Board of Directors of the Company on:

- a. Appointment and removal of Directors, Key Managerial Personnel and employees in Senior Management;
- b. Remuneration payable to the Directors, Key Managerial Personnel and employees in Senior Management;
- c. Board Diversity;
- d. Succession plan for Directors, Key Managerial Personnel and employees in Senior Management; and
- e. Evaluation of individual Directors, Chairman of the Board, the Board as a whole and the Committees of the Board.
- f. Criteria for determining qualification, positive attributes and independence of Directors.

2. Regulatory Framework

- 2.1. Section 178 of the Companies Act, 2013 read with the applicable Rules thereto ("the Act") and Clause 49 of the Equity Listing Agreement entered into by the Company with Stock Exchanges as amended ("Clause 49") (together referred to as "Applicable Laws") require the Nomination and Remuneration Committee of a company ("NRC") to recommend to its Board a policy, relating to the appointment, removal and remuneration of the directors, key managerial personnel and other employees and to devise a policy on Board diversity.

The Applicable Laws also require NRC to lay down the evaluation criteria for performance evaluation of independent directors and to carry out the evaluation of every director's performance. Further, the Board of Directors is responsible for monitoring and reviewing of the Board Evaluation framework.

The Board of Directors is also required to satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management.

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2.2. This policy is framed as per the requirements of the Applicable Laws.

3. Definitions

- 3.1. **“Act”** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 3.2. **“Applicable Laws”** means the Act and Clause 49.
- 3.3. **“Board”** means the Board of Directors of the Company.
- 3.4. **“Clause 49”** means Clause 49 of the Equity Listing Agreement entered into by the Company with the Stock Exchanges as amended from time to time.
- 3.5. **“Company”** means Refnol Resins and Chemicals Limited.
- 3.6. **“Nomination and Remuneration Committee or NRC”** means a Committee of the Board pursuant to section 178 of the Act and Clause 49.
- 3.7. **“Human Resources Officer or HRO”** means the person designated by the Company as such.
- 3.8. **“Directors”** mean Directors of the Company.
- 3.9. **“Key Managerial Personnel or KMP”** shall be Key Managerial Personnel as defined under sub section (51) of Section 2 of the Companies Act, 2013
- 3.10. **“Independent Director”** means a director referred to in Section 149(6) of the Act and Clause 49.
- 3.11. **“MD”** shall mean the Managing Director of the Company.
- 3.12. **“Policy or this Policy”** means the Policy on Nomination, Removal, Remuneration, Evaluation, Board Diversity and criteria for determining qualification positive attributes and Independence of Directors.
- 3.13. **“Remuneration”** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

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- 3.14. **“Senior Management Personnel”** mean personnel of the Company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

4. Policy

4.1. Appointment and removal of Director, KMP and Senior Management

- 4.1.1. Criteria for qualifications, positive attributes and independence of Directors, KMP & Senior Management Personnel:

- 4.1.1.1. The NRC will have the responsibility and authority to decide the essential and desirable skills/ competencies/ expertise/ experience/ criteria of independence required from the individuals for the office of Directors, KMP & Senior Management Personnel.
- 4.1.1.2. The expertise required from the Directors, KMP and Senior Management Personnel would be defined based on the Company’s strategy and needs.
- 4.1.1.3. The NRC shall review the criteria for the role and define the role specifications for the appointment.
- 4.1.1.4. In case of Directors and KMP, in addition to the above specifications the NRC shall ensure that the candidate possesses the requisite qualifications and attributes as per the Applicable Laws.

- 4.1.2. Identifying candidates who are qualified to become Directors, KMP & Senior Management Personnel:

- 4.1.2.1. The NRC shall assign the responsibility of identifying the candidate for the final interview by the NRC to the following:
- a) to MD and Chairman of NRC, in case of selection of Directors; and
 - b) To the MD and HRO, in case of selection of KMP & Senior Management Personnel.

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- 4.1.2.2. The NRC shall identify member(s) of the Board who will interview the candidate recommended to the NRC as above.
- 4.1.2.3. Upon selection of the candidate, the NRC shall make a recommendation to the Board for appointment of Director/ KMP/ Senior Management Personnel. For discharging this duty the NRC may seek inputs from the persons responsible for identifying the candidates stated in Clause 4.1.2.1. above.
- 4.1.2.4. The appointment of Directors and KMP shall be subject to the compliance of the Act, Clause 49 and the Articles of Association of the Company.

- 4.1.3. Term of Appointment
 - 4.1.3.1. The term of appointment of Directors shall be governed by the provisions of the Act and Clause 49.
 - 4.1.3.2. The term of the KMP (other than the MD) and Senior Management Personnel shall be governed by the prevailing policies of the Company.

- 4.1.4. Letter of Appointment to Independent Directors
 - 4.1.4.1. The appointment of Independent Directors shall be formalized through a letter of appointment to be issued by the Company in accordance with the Applicable Laws.

- 4.1.5. Removal of Director, KMP or Senior Management Personnel
 - 4.1.5.1. The Removal of Director, KMP or Senior Management Personnel may be warranted due to reasons such as disqualification prescribed under the Applicable Laws and / or disciplinary reasons.
 - 4.1.5.2. In regard to removal of any Director, KMP or Senior Management Personnel, the NRC shall in consultation with the MD and the Chairman of Audit committee, for Directors, and with the MD for KMP and Senior Management Personnel, review the performance and/or

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other factors meriting a removal and subject to the provisions of the Act and the Articles of Association of the Company recommend to the Board its course of action.

- 4.1.6. Retirement of Director, KMP or Senior Management Personnel
 - 4.1.6.1. The retirement age of Directors shall be as per the Applicable Laws.
 - 4.1.6.2. The retirement age of KMP and Senior Management Personnel shall be as per the prevailing policy of the Company subject to the Applicable Laws.
 - 4.1.6.3. Subject to the Applicable Laws, the Board shall have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

4.2. Familiarization Programme for Independent Directors

- 4.2.1. The Company will impart Familiarisation Programmes for Independent Directors inducted on the Board of the Company.
- 4.2.2. Familiarisation - immediately upon appointment of Director
 - 4.2.2.1. The Familiarisation Programme of the Company will provide information relating to the Company, Speciality Chemical industry, business model of the Company, business processes & policies, geographies in which Company operates, etc. The programme intends to improve awareness of the Independent Directors on their roles, rights, responsibilities towards the Company. Further, the Familiarisation Programme shall also provide information relating to the financial performance of the Company and budget and control process of the Company.
 - 4.2.2.2. The MD or such other officer(s) of the Company, duly authorised by the MD shall lead the Familiarisation Programme. The KMPs or Senior Management Personnel

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may participate in the programme for providing various inputs.

4.2.3. Annual Familiarisation processes

- 4.2.3.1. Every year, the Independent Directors shall be provided with periodic inputs on the business performance of the Company, through deliberations at the Committee and Board Meetings.
- 4.2.3.2. The Board shall discuss and note the strategic business plans and the annual financial plan through deliberations at Board Meetings or Board Retreats.

4.3. Succession Plan for Directors, KMP and Senior Management Personnel

- 4.3.1. The NRC shall develop and recommend to the Board a succession plan for the appointments made to the Board and to KMP & Senior Management personnel.
- 4.3.2. The NRC shall review such plan on an annual basis and recommend revisions, if any, to the Board.

4.4. Remuneration of Director, KMP and Senior Management Personnel

4.4.1. Remuneration to Executive Director(s)

- 4.4.1.1. The remuneration payable to Executive Director(s) shall be determined by the NRC and recommended to the Board for approval.
- 4.4.1.2. Such remuneration (including revisions thereof) shall be subject to the approval of the shareholders of the Company and/or Central Government, wherever required under the Act, Clause 49 and the Articles of Association of the Company.
- 4.4.1.3. The remuneration shall be in accordance with and subject to the ceiling limits and other conditions prescribed under the Act, Clause 49 and the Articles of Association of the Company.

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- 4.4.1.4. Additionally, the Executive Director may be entitled to Employee Stock Options granted under any Employee Stock Option Plan/ Scheme(s), Stock Appreciation Rights granted under any Stock Appreciation Rights Plan/ Scheme(s) of the Company and such other long term incentive schemes of the Company.
- 4.4.1.5. Annual revisions in the remuneration within the remuneration limits approved by the Board, shareholders/ Central Government, shall be based on the prevailing policy of the Company and the same shall be approved by the NRC. The Board shall note such annual increases.

4.4.2. Remuneration to Non-Executive Directors

- 4.4.2.1. The remuneration (including revisions thereof) payable to the NED shall be in accordance with and subject to the ceiling limits and other conditions prescribed under the Act, Clause 49 and the Articles of Association of the Company.
- 4.4.2.2. The NRC shall determine the remuneration to NED including the mode, quantum, recipients of the remuneration and the frequency of payment of such remuneration, and recommend the same to the Board for approval.
- 4.4.2.3. The remuneration of NED may comprise following:
 - a) Remuneration/Commission; and
 - b) Sitting fees for attending each meeting of the Board and its Committees.
- 4.4.2.4. The remuneration of NED (including revisions thereof) shall be based on certain financial parameters like the performance of the Company, its market capitalization, etc., industry benchmarks, role of the Director and such other relevant factors.
- 4.4.2.5. NEDs shall not be entitled to any stock option or stock appreciation rights of the Company.

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4.4.2.6. The NRC shall determine the periodicity at which such remuneration shall be reviewed and revised.

4.4.3. Remuneration to KMP & Senior Management Personnel

4.4.3.1. The NRC shall approve the remuneration policy (Annexure I) of the Company applicable to KMP and Senior Management Personnel.

4.4.3.2. For appointments to the office of KMP or Senior Management Personnel (as stated in clause 4.1 above), the NRC shall approve the remuneration and recommend the same to the Board for its approval.

4.4.3.3. The NRC shall approve the annual revision in the remuneration of KMP and Senior Management Personnel based on the remuneration policy of the Company applicable to KMP and Senior Management Personnel (as stated under clause 4.2.3.1 above).

4.4.4. Factors to be considered while determining the remuneration to Directors, KMP and Senior Management Personnel

While determining the remuneration to Directors, KMP and Senior Management Personnel the NRC shall ensure the following:

- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and Senior Management Personnel to deliver 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, KMP and Senior Management Personnel 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.

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4.5. Board Diversity

4.5.1. The Company's Policy on Board diversity is annexed as **Annexure II** to this Policy.

4.6. Board Evaluation

4.6.1. The Board is committed to assessing its own performance as a Board in order to identify its strengths and areas in which it may improve its functioning. Towards this end, the NRC shall establish the criteria and processes for evaluation of performance of Individual Directors, Chairman of the Board, the Board as a whole and the Committees of the Board and recommend the same to the Board.

4.6.2. The Board is responsible for monitoring and reviewing of the Board Evaluation framework.

4.6.3. The NRC is responsible for carrying out evaluation of every director's performance.

4.6.4. The performance evaluation shall take place annually. It shall be the responsibility of the Chairman of the NRC to organise the evaluation process;

4.6.5. The appointment / re-appointment / continuation of Directors on the Board shall be subject to the outcome of the yearly evaluation process.

4.6.6. Meeting of Independent Directors:

4.6.6.1. 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 the management.

4.6.6.2. Such meeting shall:

- a) review the performance of Non-independent Directors and the Board as a whole;
- b) review the performance of the Chairman of the Company, taking into account the views of Executive Directors and Non-executive Directors;

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- 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.
- d) Such other matters as the Independent Directors may think prudent and expedient in the best interest of the organisation.

4.6.6.3. The Independent Directors may call such meeting(s) at any point of time as desired.

5. Disclosure :

- 5.1. Appropriate disclosures as required under the Applicable Laws shall be made by the Company within the prescribed time and manner.

6. General :

- 6.1. The Policy would be subject to revision/amendment in accordance with the applicable laws.
- 6.2. Unless required earlier, the NRC shall review the Policy once in every two years for making suitable amendments for better implementation of the Policy.
- 6.3. The power to interpret and administer the Policy shall rest with the Chairman of the NRC whose decision shall be final and binding. The Chairman is also empowered to make any supplementary rules/orders to ensure effective implementation of the Policy. These will, however, be reported to or placed before the NRC, from time to time, to ensure the Committee's oversight on these issues.
