



Finolex Industries Limited

Nomination and Remuneration Policy

1. Preamble

1.1 Finolex Industries Limited (the ‘Company’) recognizes the importance of attracting, retaining and motivating personnel of high caliber and talent for the purpose of ensuring efficiency and high standard in the conduct of its affairs and achievement of its goals besides securing the confidence of the shareholders in the sound management of the Company. For the purpose of attaining these ends, the Company has constituted a Nomination and Remuneration Committee which is entrusted with the task of devising a transparent reasonable and fair policy of remuneration for its directors, key managerial personnel and other employees.

1.2 The Companies Act, 2013 vide Section 178, the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, makes it mandatory for the Board of Directors of every listed company to constitute a Nomination and Remuneration Committee.

1.3 The objective of the Nomination and Remuneration Committee is to assist the Board of Directors of the Company and its controlled entities in fulfilling its responsibilities to shareholders by :

1.3.1. Considering the requirement of skill sets on the Board, eminent people having an independent standing in their respective field/profession and who can effectively contribute to the Company’s business and policy decisions are considered by the Nomination and Remuneration Committee, for appointment, as Independent Directors on the Board. The Committee, inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and memberships held in various committees of other companies by such persons. The Board considers the Committee’s recommendation and takes appropriate decision.

1.3.2. ensuring that the Board of Directors is comprised of individuals who are best able to discharge the responsibilities of directors in consonance with the Companies Act, 2013 and the norms of corporate governance; and

1.3.3. ensuring that the nomination processes and remuneration policies are equitable and transparent.

1.4 The responsibilities of the Committee include :

1.4.1 formulating a criteria for determining qualifications, positive attributes and independence of a director;

1.4.2 recommending to the Board of Directors a policy or recommendation, relating to the appointment and remuneration for the directors, key

managerial personnel and all remuneration, in whatever form, payable to Senior Management;

1.4.3 formulating a criteria/ recommendation and manner for effective evaluation of performance of independent directors, Board of Directors and its committee(s). 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;

1.4.4 devising a policy/ recommendation on Board diversity; and

1.4.5 identifying persons who are qualified to become directors and who may be appointed as part of the 'senior management' or core management team of the Company in accordance with the criteria laid down, and recommend to the Board of Directors the appointment and removal of such personnel.

1.5 This Nomination and Remuneration Policy has been formulated with a view to :

1.5.1 Consider selection, appointment of directors including independent directors, key managerial personnel and Senior Management in compliance of the provisions of the Companies Act, 2013 and Listing Regulations and devise a transparent system of determining the appropriate level of remuneration throughout all levels of employees and teams in the Company;

1.5.2 encourage personnel to perform to their highest level;

1.5.3 provide consistency in remuneration throughout the Company; and

1.5.4 offer incentives on the premise of aligning the performance of the business with the performance of key employees and teams within the Company.

1.6 The Nomination and Remuneration Policy elucidates the types of remuneration to be offered by the Company and factors to be considered by the Board of Directors of the Company, Nomination and Remuneration Committee and management of the Company.

2. Definitions

Some of the key terms used in the Nomination and Remuneration Policy are as under:

2.1 '**Board**' means the Board of Directors of Finolex Industries Limited or the Company.

2.2 '**Committee**' means the Nomination and Remuneration Committee constituted by the Board of Directors of the Company in accordance with section 178 of the Companies Act, 2013.

2.3 '**Director**' means a director appointed on the Board of the Company including executive; non-executive; and independent directors.

2.4 '**Employee**' means every employee of the Company (whether working in India or abroad), including the directors in the employment of the Company.

2.5 '**Key managerial personnel**' includes managing director, or chief executive officer or manager and in their absence, a whole-time director; company secretary; and chief financial officer.

2.6 '**Member**' means a director of the Company appointed as member of the Committee.

2.7 '**Nomination and Remuneration Policy**' shall mean the policy of remuneration of directors, key managerial personnel and other employees of the Company formulated by the Nomination and Remuneration Committee.

2.8 '**Senior Management**' means the personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management who are one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the Board) and shall specifically include company secretary and chief financial officer.

3. Nomination and Remuneration Committee

3.1 The Committee shall be formed by the Board of the Company. It shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors. The Board of the Company shall nominate directors as members of the Committee from time to time.

3.2 The Chairman of the Committee shall be an independent director but shall not be the Chairperson of the Company. He shall be present at the Annual General Meeting, to answer the shareholders' queries and may determine as to who should answer the queries.

3.3 The presently nominated members of the Committee are nominated by the Board of Director. The Board will nominate Directors on the Committee, from time to time.

3.4 In respect of the policy on Board Diversity, the Committee shall ensure that the Board has requisite number of independent, executive and other category of

Directors as prescribed in the Companies Act, 2013, Rules made thereunder and Listing Regulations including amendments, as may be applicable from time to time.

4. Letter of Engagement or Contract of Employment

4.1 Non-executive directors shall enter into a letter of engagement with the Company, the terms and conditions of which shall be approved by the Board. The letter of engagement shall set forth the terms and conditions of the engagement, the performance expectations for the position, the remuneration package, the availability of the latter being contingent upon fulfillment of certain expectations of the Company measured by benchmarks of performance.

4.2 Executive directors, key managerial personnel and senior management employees shall enter into a contract/ employment contract or acceptance of appointment/ increment letter (“contract of employment”) with the Company clearly setting out the terms and conditions of the remuneration package for such person. The contract of employment shall set out the expectations for the performance, the key performance indicators, measures and criteria for assessment or evaluation of performance.

4.3 The Committee and the Board must approve the contracts of employment for the senior management and directors.

4.4 The Board shall disclose the terms and conditions of any contract of employment in accordance with the law and the employment rules, as applicable from time to time.

5. Remuneration Structure

5.1 Remuneration to Executive Directors, Key Managerial Personnel and Senior Management The Board shall, in consultation with the Committee approve and finalize the forms of remuneration to be offered to executive and non-executive directors, key managerial personnel, senior management and other employees. The remuneration package shall be composed of amounts that are fixed and variable and the endeavor of the Board and the Committee shall be to strike a balance between the fixed and variable components and thereby promote sustainable value for the Company and its shareholders over time.

5.1.1 Fixed Remuneration The contract of employment entered into by the executive directors, key managerial personnel and senior management employees with the Company shall demarcate a fixed gross annual salary or base salary payable to the employee. The fixed remuneration or salary shall be determined according to complexities of the position and role of the employee, the relevant laws and regulations, conditions prevalent in the

labour market and the scale of the business relating to the position. The fixed remuneration will reflect the core performance requirements and expectations of the Company.

5.1.2 Performance based remuneration or incentive or Ex-gratia bonus based payments The performance or incentive or Ex-gratia bonus based payments shall form part of the variable component of the salary payable to the employee. In addition to the fixed remuneration, the Company shall implement a system of bonuses and incentives reflecting short and long term performance objectives appropriate to the working of the Company and designed to lay emphasis on the direct relationship between performance and remuneration. Performance based remuneration shall be proportionate to and contingent upon the attainment of specific performance targets by employees in the Company. Incentive-based payments take into account factors such as performance of the employee, his conduct, responsibilities, position and role and shall be calculated as a percentage of the fixed remuneration.

5.1.3 Severance Fees or Termination Benefits Each contract of employment entered into by the executive directors, key managerial personnel and senior management employees with the Company shall demarcate in advance the entitlement to payment upon termination of employment for each employee or shall part of employee's service contract or appointment letter. Making of such payments shall be approved by the Board and the Committee and shall be in consonance with the Nomination and Remuneration Policy of the Company.

5.1.4 Employee Benefits The Company shall comply with all legal and industrial obligations in determining the benefits available with employees, namely short-term benefits such as salaries, social security contributions, bonuses, post-employment benefits such as gratuity, other long-term employee benefits.

5.2 Remuneration to Non-Executive directors: The Nomination and Remuneration Committee and/ or Board of Directors shall carry out performance review of each of the Director at least once a year. According to the performance of each Director, the Company shall pay remuneration to non-executive directors in such a manner so as to attract and maintain high quality members on the Board. Non-executive directors shall receive a fixed remuneration, for their service. Nonexecutive directors shall not be entitled to any performance-based incentives, bonus payments or retirement benefits. Board of Directors shall be authorised to decide any other mode of remuneration, as may be agreed upon by resolution passed by the Board at the meeting.

6. Disclosure

6.1 The Nomination and Remuneration Policy shall be disclosed in the Board's report of the Company prepared in accordance with sub-section (3) of section 134 of the Companies Act, 2013.

6.2 Payments to non-executive directors shall be either disclosed in the Annual Report of the Company and/ or put up on the website of the Company and reference drawn thereto in the Annual Report as per mandatory requirement or decided by the Key Managerial person from time to time. Further, the number of shares and convertible instruments held by non-executive directors shall be disclosed by the Company in its Annual Report.

6.3 With regard to payment of remuneration, the section on the corporate governance of the Annual Report of the Company shall contain the following disclosures, namely:

6.3.1 All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc; 6.3.2 Details of fixed component and performance linked incentives, along with the performance criteria;

6.3.3 Service contracts, notice period, severance fees; and

6.3.4 Stock option details, if any - and whether issued at a discount as well as the period over which accrued and over which exercisable.

7. Review and implementation

7.1 The Key Managerial Person shall conduct an evaluation of performance for all employees on an annual basis to monitor and review, and if necessary, revise the appropriateness of each remuneration package.

7.2 The remuneration package payable to the employees of the Company shall be approved by the Committee or Board, as may be applicable from time to time.

7.3 The Committee shall be responsible for monitoring the implementation of the policy, conducting a review of the same from time to time and advising the Board on the mode of revision of the policy such as inclusion of long-term incentives that would contribute towards creating a sustainable value for shareholders of the Company. Any amendment in the Act, Rules will be applicable from the date of the notification. This policy will be deemed to be amended from such date. Chairman of the Committee shall be authorised to amend the policy from time to time.
