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PREAMBLE

The Nomination and Remuneration Policy has been formulated by Aarti Surfactants Limited in compliance with Section 178 of the Companies Act, 2013, read with applicable rules made thereunder and in compliance of Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This policy was further amended and was approved by the Board of Directors on April 27, 2023, as recommended by the Nomination and Remuneration Committee.

DEFINITIONS

1. "Act" shall mean the Companies Act, 2013.
2. "Company" shall mean Aarti Surfactants Limited.
3. "Committee" or "this Committee" shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
4. "Listing Regulations" shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
5. "Policy" or "this Policy" shall mean the Nomination and Remuneration Policy of Aarti Surfactants Limited.
6. Director: Section 2(34) of the Act, prescribed that "Director" means a Director appointed to the Board of a company.
7. Key Managerial Personnel: Section 2(51) of the Act, prescribed that "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;
 - v) such other Officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - vi) such other Officer as may be prescribed;



8. Senior Management Personnel: Reg.16 (1)(d) of the Listing Regulations, prescribed that “senior management” shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

OBJECTIVES AND PURPOSE

The objective of this Policy is to serve as a guiding charter to appoint qualified persons as directors on the board of directors of the Company (“Directors”), Key Managerial Personnel (the “KMP”), persons who may be appointed in senior management positions (“SMP”), to recommend the remuneration to be paid to them and to evaluate their performance. This Policy provides a framework for:

- a) Identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed as KMP, SMP in accordance with the criteria laid down, and recommend to the Board for their appointment and removal;
- b) Identifying the criteria for determining qualifications, positive attribute and independence of a director;
- c) Specifying framework for remuneration of Directors, KMPs and SMPs, based on factors including the Company’s size, financial position, trends and practices on remuneration prevailing in peer companies in the similar industry;
- d) Specifying the manner for effective evaluation of performance of the Board, Directors, KMPs, SMPs and persons in senior management position to be carried out either by the Board, by the Committee or by an independent external agency;
- e) Assessing the independence of independent Directors;
- f) Providing them reward, linked directly to their efforts, performance, dedication and achievement relating to the Company’s operations;
- g) Retaining, motivating and promoting talent and to ensure long term sustainability of talented persons and create competitive advantage;
- h) Such other key issues/matters as may be referred by the Board or as may be necessary in view of the provision of the Companies Act 2013 and Rules thereunder and the SEBI Listing Regulations, whenever applicable.

I. SELECTION CRITERIA FOR APPOINTMENT OF DIRECTORS, SENIOR MANAGEMENT PERSONNEL AND KEY MANAGERIAL PERSONNEL

1. General Criteria’s for appointment of Directors

- a) The Committee shall be responsible for identifying suitable candidate for appointment / re-appointment as Director of the Company. While evaluating a person for appointment/re-appointment as Director, The Committee shall consider and evaluate number of factors including but not limited to background, knowledge, skills, abilities (ability to exercise sound



judgement) professional and personal accomplishment, age, experience of industry and such other factors that the committee might consider relevant and applicable from time to time towards achieving a diverse Board.

- b) The proposed candidate shall possess appropriate expertise, experience and knowledge in one or more fields of technology, finance, law, management, sales, marketing, administration, corporate governance or such other areas related to the Company's business as determined by the NRC.
- c) The proposed candidate should have completed the age of twenty-one (21) years.
- d) The Company shall not appoint or continue the employment of any person as whole time director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
- e) The Company shall not appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy-five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.
- f) The number of companies in which the candidate holds directorship should not exceed the number prescribed under Companies Act, 2013 or under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- g) The Committee shall ensure that an appropriate induction and training and familiarization program is in place for new Directors, KMPs and SMPs after their appointment.
- h) The Committee shall make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- i) During the term of the office, every director shall –
 - i. uphold ethical standards of integrity and probity;
 - ii. act objectively and constructively;
 - iii. exercise responsibilities in a bona-fide manner in the interest of the Company;
 - iv. shall be free from any disqualifications as stipulated under the Act as well as the Listing Regulations;
- j) The terms and conditions of the appointment shall be in accordance with the provisions of Applicable Law.
- k) The Committee shall recommend any necessary changes to the Board.



2. Independent Directors

While evaluating a person for appointment / re-appointment as an Independent Director, the Committee shall ensure that the proposed candidate satisfies the following additional criteria:

- Meet the baseline definition and criteria of “independence” as set out in section 149 of the Act, the Listing Regulations and other applicable laws.
- Should not hold any Board / employment position with a competitor in the geographies where the Company is operating. However, the Board may in special circumstances waive this requirement.
- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Shareholders of the Company and disclosure of such appointment in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of five years of ceasing to become an Independent Director. Provided, however, that an Independent Director shall not, during the said period of five years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- At the time of appointment of an Independent Director and during his/her appointment period with the Company, it should be ensured that the number of Boards on which such Independent Director serves is within the maximum limit prescribed under the prevailing act, rules and regulations.

Independence of Directors is decided on the basis of criteria provided under the relevant provisions of the Companies Act, 2013, read with rules made thereunder, and any modification/amendments done from time to time and as envisaged under SEBI Listing Regulations. A declaration of independence is taken from the Independent Directors at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an Independent Director. An Independent Director shall be under the obligation to inform the Board of Directors of any change in circumstances which may affect his/her independence.

The re-appointment / extension of term of the Director shall be on the basis of their performance evaluation report.

3. Senior Management Personnel

The NRC shall identify persons who are qualified to be appointed in senior management team in accordance with the criteria's laid. The candidate should have appropriate qualification, skills and experience for discharging the role. The qualification, skills and experience of each such position shall be defined in the job description, which will be maintained by the HR.

Senior Management Personnel are appointed or promoted with the authority of Managing Director & CEO based on the business need and the suitability of the candidate. The information on recruitment of senior officers just below the level of Board, if any, shall be presented to the Board.



4. Key Managerial Personnel (KMPs)

Pursuant to the provisions of Section 203 of the Act, the Board shall approve the terms and conditions of appointment including the remuneration of KMPs at the time of their appointment.

The appointment of Key Managerial Personnel should be approved by the Board on the basis of recommendation made by the NRC. Additionally, the appointment of Chief Financial Officer (“CFO”) should also be approved by the Audit Committee after assessing the qualifications, experience and background, etc. of the candidate, wherever applicable.

II. REMUNERATION STRUCTURE

The remuneration structure would normally depend upon the roles and responsibilities as well as the prevailing market practices. The remuneration shall be consistent with the Competitive position of the salary for similar positions in the industry and their qualifications, experience, roles and responsibilities. In normal circumstances, the remuneration of an individual shall be divided between fixed and variable components as required under the provisions of the Companies Act, 2013 and as envisaged in SEBI Listing Regulations: -

- i. Base Compensation (fixed salary): This component of salary is competitive and reflective of the individual's role, responsibility and experience in relation to performance of day -to-day activities, usually reviewed on an annual basis. The base Compensation includes salary, allowances and other statutory / non-statutory benefits which are normal part of remuneration package in line with market practices.
- ii. Variable salary: A relevant part of remuneration is payable as variable salary linked to corporate and individual performance, fulfilment of specified improvement targets or the attainment of certain financial or other objectives set in this regard.
- iii. Any other component / benefits as may be recommended by the management and approved by the NRC.
- iv. Stock Options in accordance applicable laws.

1. Remuneration to Whole-time / Managing Director, KMP and SMP:

Fixed pay – The Managing Director and / or Whole-time Director, KMP and SMP shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the NRC Committee and the shareholders, wherever applicable. The breakup of the pay scale and quantum of perquisites including, employer's contribution towards provident fund, pension scheme, medical expenses and other perquisites shall be decided and approved by the Board on the recommendation of the Committee.

Minimum Remuneration – If in any financial year, the Company has no profits or its profits are inadequate, it shall pay remuneration to its Managing Director and / or Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013. Provided that the remuneration in excess of above limits may be paid, if the shareholders pass a special resolution in this regard.



2. Remuneration to Non-Executive / Independent Director:

The non- executive/ independent Director may receive remuneration by way of sitting fees (including reimbursement of expenses) for attending meetings of Board or committees of the Board to which they are appointed from time to time thereof. Provided that the amount of such fees shall not exceed the limits prescribed under Companies Act, 2013 and rules made there under.

III. RETIREMENT / REMOVAL / RESIGNATION

The Director, KMP and SMP shall retire as per the applicable provisions of the Companies Act, 2013 along with the rules made there under and the prevailing policy of the Company. The Board will have the discretion to retain any Director, KMP, SMP or other person in senior management position, even after attaining the retirement age, for the benefit of the Company.

Due to reasons for any disqualification mentioned in the Companies Act, 2013 and rules made there under or under any other applicable law, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP, SMP or other person in senior management position, subject to the provisions and compliance of the Companies Act, 2013 and other applicable law.

The Director, KMP and SMP may resign / relived from their office by giving a notice in writing to the company and the same may be noted in the Board Meeting.

IV. SUCCESSION PLANNING

Establishing and reviewing Board, KMP and Senior Management succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management.

1. Board Succession Planning

- The organization acknowledges the importance of a diverse and well-rounded Board of Directors. The Board succession plan will focus on identifying individuals who can bring diverse perspectives, industry knowledge, and strategic thinking to the organization.
- The Board will regularly assess the performance, skills, and competencies of current Board members to identify any gaps that need to be filled.
- By considering the organization's strategic direction and future challenges, the Board will determine the ideal qualities and qualifications for new Board members.
- The Board will actively seek out potential candidates through a transparent and inclusive process, ensuring equal opportunities for all qualified individuals.
- The Board will review the succession plan regularly to adapt to changing circumstances, such as retirements, resignations, or unexpected departures.

2. KMP and Senior Management Succession Planning

- The organization recognizes the importance of developing a talent pipeline for key leadership positions within the company.



- The KMP (Key Management Personnel) and Senior Management succession plans will focus on identifying high-potential employees who demonstrate the capabilities and potential to assume critical leadership roles.
- Regular assessments will be conducted to evaluate the performance, skills, and competencies of current employees, identifying those with the potential for advancement.
- Identified high-potential employees will be provided with opportunities for development and growth, including mentoring, training programs, and exposure to various aspects of the organization's operations.
- The organization will ensure a fair and transparent process for advancement, providing clear guidelines and criteria for promotion to leadership positions.
- The succession plans will be reviewed periodically to align with changing business needs, facilitate career progression, and address unexpected vacancies.

V. REVIEW

The Nomination and Remuneration Committee shall review the policy from time to time, to ensure the effectiveness of the Policy. The Committee shall discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The Policy shall be effective from the date of approval by the Board, unless specified otherwise.

VI. AMENDMENT

Any modification in the Policy on account of change in prevailing regulations will be carried out immediately and will be informed to all concerns.

Any other modifications will be carried out only with the previous approval of the Nomination and Remuneration Committee.