

## **APEX FROZEN FOODS LIMITED**

### **POLICY FOR EVALUATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

#### **A. BACKGROUND**

As per Section 178 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 every listed Company is required to constitute a Nomination and Remuneration Committee comprising of at least three directors all of whom shall be non-executive directors and at least half shall be Independent and the Chairman of the Nomination and Remuneration Committee shall be an Independent Director. The said Nomination and Remuneration Committee shall set a policy to formulate criteria for determining qualifications, positive attributes and independence of a director, recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees, criteria for evaluation of Independent Directors and the Board and policy for Board diversity, identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.

#### **B. QUALIFICATIONS FOR APPOINTMENT OF DIRECTORS**

Subject of the Companies Act, 2013 and all other applicable laws the Company while appointing its Directors shall consider the following:

- Whether the person to be appointed as Director is qualified to be appointed as directors?
- Whether the person to be appointed as Director is Person of eminence, standing and knowledge with significant achievements in business, professions and/or public service.
- Whether the person to be appointed as Director of the Company possess requisite business literacy/skill.
- Whether the person to be appointed as Director possess the requisite qualifications to perform his role and to meet the objectives of the Company.
- Whether the person to be appointed as Director be able to adapt to changes in their industry and quickly make adjustments to operations if need be.
- Whether the person to be appointed as Director is open to learning.
- Whether the person to be appointed as Director possess requisite communication skills to execute his task as Director.
- Whether the person to be appointed as Director possess effective leadership qualities.
- Whether the person to be appointed as Director possess strong ethics and kindness to treat people with respect.

### **Additional requirements for Independent Directors:**

- in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- is or was not a promoter of the company or its holding, subsidiary or associate company;
- is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- apart from receiving director's remuneration, he should not have any material pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- none of his relatives shall have any pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- neither he nor his relative shall hold the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
- neither he nor his relative has been an employee or proprietor or a partner of a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed.
- he along with his relatives should not hold two per cent or more of the total voting power of the company.
- neither he nor his relative should be a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company
- neither he nor his relative should be a material supplier, service provider or customer or a lessor or lessee of the company.
- Possesses appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the Company's business.

### **C. POSITIVE ATTRIBUTES OF DIRECTORS**

- Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
- Actively update their knowledge and skills with the latest developments in the industry, market conditions and applicable legal provisions.
- Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities.
- To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
- To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.

### **D. CRITERIA FOR APPOINTMENT OF KMP/SENIOR MANAGEMENT**

- Should possess the required qualifications, experience, skills & expertise to effectively discharge their duties and responsibilities.
- Should practice and encourage professionalism and transparent working environment.
- Should build teams and carry the team members along for achieving the goals/objectives and corporate mission.
- Should adhere strictly to code of conduct laid down by the Company.

### **E. CRITERIA FOR EVALUATION OF INDEPENDENT DIRECTORS AND BOARD: INDEPENDENT DIRECTORS**

- How well prepared and well informed the Independent directors for board meetings?
- Is the attendance of Independent directors at meetings satisfactory?
- Do the Independent directors show willingness to spend time and effort learning about the company and its business?
- Do the Independent directors willing to participate in events outside board meetings such as site visits?
- What has been the quality and value of Independent director's contributions at board meetings?
- What has been their contribution to the development of (i) Strategy and (ii)

risk management?

- How successfully the Independent directors brought their knowledge and experience to bear in the consideration of strategy?
- How effectively the Independent directors probed to test assumptions?
- Where necessary, how resolute are they in holding to their views and resisting pressure from others?
- How effectively have they followed up matters about which they have expressed concern?
- How good are their relationship with other board members, the company secretary and senior management?
- How actively and successfully do they refresh their knowledge and skill?
- Are they up-to-date with the latest developments in areas such as the corporate governance framework and financial reporting and in the industry and market conditions?
- How well do they communicate with other board members, senior management and others?
- Can they present their views convincingly, yet diplomatically?
- Do they listen to the views of others?

#### **BOARD OF DIRECTORS:**

- How well has the board performed against any objective that was set?
- What has been the contribution of the board to the development strategy?
- What has been the contribution of the board to ensuring robust and effective risk management?
- Is the composition of the board and its committees appropriate?
- Do these have the right balance of knowledge and skills to maximize performance?
- Are relationships inside and outside the board working effectively? How has the board responded to any problems or crisis that arose? Could / should these have been foreseen?
- Are the matters specifically reserved for the board the right ones?
- How well does the board communicate with the management team, employees and others?
- How effective is its use of the Annual General Meeting and the annual report?
- Is the board as a whole up to date with the latest developments in the regulatory environment and the market?

- How effective are the board's committees (for example, in their role, their composition and their interaction with the board)?
- Does the board receive the right amount and quality of timely information?
- How well does management respond to request from the board for clarification or additional information?
- Do the board and the board committees hold enough meetings of suitable length to get through their business properly?
- Is time used effectively?
- Is board procedure flexible and is the conducive to effective performance.

#### **F. EVALUATION OF PERFORMANCE:**

The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated).

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. All the independent directors of the company shall strive to be present at such meeting.

The independent directors in the meeting shall, inter-alia:

- i. review the performance of non-independent directors and the Board as a whole;
- ii. review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- iii. 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.
- iv. other activities as may be required by applicable law in effect from time to time.

#### **G. DEVIATIONS FROM THIS POLICY**

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

#### **H. REVIEW OF THIS POLICY**

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy.

## I. REMUNERATION POLICY

### 1. PREAMBLE

The Remuneration Policy of the Company is designed to attract, motivate, improve productivity and retain manpower, by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits. The policy reflects the Company's objectives for good corporate governance as well as sustained long term value creation for shareholders.

This Remuneration Policy applies to directors, senior management including its Key Managerial Personnel (KMP) and other employees of the Company.

### 2. GUIDING PRINCIPLE

The guiding principle is that the remuneration and the other terms of employment should effectively help in attracting and retaining committed and competent personnel. The following are the guiding principles in formulating the remuneration policy:

- To ensure that the level and components of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and other employees of the quality required to run the Company successfully.
- No director/KMP/ other employee is involved in deciding his or her own remuneration.
- The trend prevalent in the similar industry, nature and size of business is kept in view and given due weight age to arrive at a competitive quantum of remuneration.
- It is to be ensured that relationship of remuneration to the performance is clear & meets appropriate performance benchmarks which are unambiguously laid down and communicated.
- Improved performance should be rewarded by increase in remuneration and suitable authority for value addition in future.
- Remuneration packages should strike a balance between fixed and incentive pay, where applicable, reflecting short and long term performance objectives appropriate to the Company's working and goals.
- Following criteria are also to be considered:-
  - Responsibilities and duties ;
  - Time & efforts devoted;
  - Value addition;
  - Profitability of the Company & growth of its business;
  - Analyzing each and every position and skills for fixing the remuneration yardstick.
  - Standards for certain functions where there is a scarcity of qualified resources.
  - Ensuring tax efficient remuneration structures.

- Ensuring that remuneration structure is simple and that the cost to the Company (CTC) is not shown inflated and the effective take home remuneration is not low.
- Other criteria as may be applicable.
- Consistent application of remuneration parameters across the organisation.
- Provisions of law with regard making payment of remuneration, as may be applicable, are complied.
- Whenever, there is any deviation from the Policy, the justification /reasons should also be indicated / disclosed adequately.
- Industry practices and cost of living are also taken into consideration.

### **3. DIRECTORS**

As per the Policy followed by the Company since inception the non-executive directors are paid remuneration in the form of sitting fees for attending Board and Committee meetings as fixed by the Board of Directors which sum shall not exceed Rs 1 lakh (Rupees one lakh) per meeting of the board or committee thereof.

Remuneration of Whole Time Directors including Managing Director reflects the overall remuneration philosophy and guiding principle of the Company. When considering the appointment and remuneration of Whole Time Directors, the Nomination & Remuneration Committee considers pay and employment conditions in the industry, merit and seniority of the person and the paying capacity of the Company.

The Nomination & Remuneration Committee while designing the remuneration package considers the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the company successfully.

The Nomination & Remuneration Committee while considering a remuneration package must ensure a balance between fixed and performance linked variable pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.

The Nomination & Remuneration Committee considers that a successful Remuneration Policy must ensure that some part of the remuneration package is linked to the achievement of corporate performance targets and a strong alignment of interest with stakeholders.

The term of office and remuneration of Whole Time Directors are subject to the approval of the Board of Directors, shareholders and the limits laid down under the Companies Act from time to time.

### **4. REWARD PRINCIPLES AND OBJECTIVES**

The Company's Remuneration Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under section 178 of the Companies Act 2013, inter alia principles pertaining to determining qualifications, positive attributes, integrity and independence etc.

### **5. REWARD POLICIES**

Remuneration packages for Whole Time Directors are designed subject to the limits laid down under the Companies Act, 2013 to remunerate them fairly and responsibly.

The Whole Time Directors' remuneration comprises of salary, perquisites and performance based commission/ reward apart from retirement benefits like P.F., Superannuation, Gratuity, etc as per Rules of the Company.

Remuneration also aims to motivate personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Whole Time Directors are entitled to customary non-monetary benefits such as company cars, furnished accommodation, health care benefits, leave travel, communication facilities, etc. Their terms of appointment provide for severance payments as per the Companies Act.

## 6. KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

Appointment of Key Managerial Personnel & Senior management and cessation of their service are subject to the approval of the Nomination and Remuneration Committee and the Board of Directors. Remuneration of Key Managerial Personnel and other senior management personnel is decided by the Managing Director or such other Executive Director who is responsible for appointment of such Key Managerial and other Senior Management Personnel, broadly based on the Remuneration Policy in respect of Whole Time Directors. Total remuneration comprises of:

1. **A fixed base salary** - set at a level aimed at attracting and retaining executives with professional and personal competence, showing good performance towards achieving Company goals.
2. **Perquisites** - in the form of house rent allowance/ accommodation, furnishing allowance, reimbursement of medical expenses, conveyance, telephone, leave travel, etc.
3. **Retirement benefits** - contribution to PF, superannuation, gratuity, etc as per Company Rules.
4. **Motivation /Reward** - A performance appraisal is carried out annually and promotions/ increments/ rewards are decided by Managing Director or such other Executive Director who is responsible for appointment of such Key Managerial and other Senior Management Personnel.
5. **Severance payments** - in accordance with terms of employment, and applicable statutory requirements, if any.

## 7. OTHER EMPLOYEES

The remuneration of other employees is fixed from time to time as per the guiding principles outlined above and considering industry standards and cost of living. In addition to basic salary they are also provided perquisites and retirement benefits as per schemes of the Company and statutory requirements, where applicable. Policy of motivation/reward/ severance payments are applicable to this category of personnel as in the case of those in the management cadre.

## 8. DISCLOSURE OF INFORMATION

Information on the total remuneration of members of the Company's Board of Directors, Whole Time Directors and KMP/ senior management personnel may be disclosed in the Company's annual financial statements as per statutory requirements.



## **9. APPLICATION OF THE REMUNERATION POLICY**

This Remuneration Policy shall continue to guide all future employment of Directors, Company's Senior Management including Key Managerial Personnel and other employees.

Any departure from the policy can be undertaken only with the approval of the Board of Directors.

## **10. DEVIATIONS FROM THIS POLICY**

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

## **11. REVIEW OF THIS POLICY**

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy.

## **12. DISSEMINATION**

The Company's Remuneration Policy shall be published on its website.