



# **POLICY ON BOARD DIVERSITY**



**PREFACE OR INTRODUCTION:**

Aarti Industries Limited (“Company”) recognizes the need and benefits of having a diverse Board. The Board Diversity Policy (“the policy”) is intended to set out a framework to promote diversity (i.e., on basis of ethnicity, age, gender, background, skills, industry experience etc.) on the Board of the Company (“the Board”).

This Policy on Board Diversity (the “Policy”) for the Board of Directors (the “Board”) of Aarti Industries Limited (the “Company”) has been formulated in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) to assure that the Board is fully diversified and comprises of an ideal combination of Executive and Non-Executive Directors, including Independent Directors, with diverse backgrounds.

**PURPOSE:**

Diversity in the composition of the Board of Directors has become essential in view of the expansion of business, greater social responsibility, increasing emphasis on Corporate Governance, need for addressing concerns of diverse stakeholders and the necessity for managing risks in the business effectively. A Board composed of appropriately qualified and skilled people, with a broad range of experience relevant to the business, is important for effective corporate governance and sustained commercial success of a Company.

In view of the above, the Company has framed a policy that encourages diversity of thoughts, experience, knowledge, perspective, age, and gender in the Board. The Policy sets out the approach to diversity in the Board of Directors of the Company so as to ensure that the Board has an appropriate blend of functional and industry expertise.

The Policy is framed to address the importance of a diverse Board in harnessing the unique and individual skills and experiences of various Members of the Board in such a way that it collectively benefits the business and the Company as whole. The basic essence of the Policy is to provide a framework for leveraging on the diverse knowledge and expertise of the Board which can offer its valuable guidance to the Management consistent with the Company’s business perspective.

The Listing Regulations require every listed entity to have in place a policy on Board Diversity.

**APPLICABILITY:**

The Policy applies to the composition of the Board only and does not apply to diversity in relation to the employees of the Company.

### DEFINITIONS:

**“Act”** means the Companies Act, 2013 as amended from time to time and the related Rules.

**“Board”** means the Board of Directors of Aarti Industries Limited

**“Committee”** means the duly constituted Nomination & Remuneration Committee of Aarti Industries Limited.

### INTERPRETATION:

Any word- used in this policy but not defined herein shall have the same meaning ascribed to it in the Articles of Association of the Company and /or the Companies Act, 2013 or Rules made thereunder.

In case of any difference upon the meaning / interpretation of any word or provision in this Policy, the same shall be referred to the Committee and the decision of the Committee in such a case shall be final.

### POLICY STATEMENT:

The Companies Act, 2013, as amended and the rules made thereunder (the “Companies Act”) read with the Listing Regulations, as amended from time to time, require the Board and the NRC to formulate the criteria for determining qualifications, positive attributes, and independence of directors.

The Company recognises and embraces the benefits of having a diverse Board and seeks increasing diversity at the Board level as an essential element in maintaining competitive advantage. It is recognised that the Board composed of appropriate qualified people with a broad range of experience relevant to the business is important to the effective corporate governance and sustained commercial success of the Company.

A truly diverse Board will include and make good use of differences in skills and industry experience, background, and other distinctions between directors.

The Nomination and Remuneration Committee is responsible for assessing the Board composition and making recommendations for appointment of new Directors.

The nomination and appointment process must be transparent and unambiguous, and the Committee is responsible for nominating suitable candidates for appointment as Directors with prudence, sufficient information of the candidates and under the Company’s criteria for nomination and appointment of Directors.

The Committee shall convene at least once a year and periodically review the composition of the Board and assess Directors having appropriate and relevant skills (not necessarily all of the skills in one

## Aarti Industries Limited

director) such as finance, law, banking, taxation, manufacturing, general management, global business, marketing, technology, industrial processes, governance, human resources, sustainability, and strategy amongst others.

While nominating candidates, the Committee shall

- a. Look into the requirements of the applicable law(s) or any obligations of the Company, including the Act, SEBI Listing Regulations, and the Articles of Association of the Company.
- b. Consider diversity in determining the optimum composition of the Board and all appointments shall be based on merit having due regard to the overall effectiveness of the Board. Candidates from a wide variety of backgrounds to incorporate Directors with diverse knowledge, skills, expertise, experience, and specialization that would benefit the Company and correspond with the Company's strategy without discriminating based on gender, sexual orientation, race, nationality, colour, age, social class, beliefs, religion, disability, and other factors, as further described below:
  - i. **Age:** The Company seeks to have representation on the Board from different generations to broaden the intellectual reasoning for decision making process. The co- existence of different generations offers better cognizance of various stakeholders when developing business strategy and corporate policy.
  - ii. **Tenure:** Tenure on the Board of existing members shall also be taken into consideration in ensure diversity of the board.
  - iii. Nominate people with diverse educational, industry / sector specific and role specific experiences from a wider talent pool, which would lead to an improved intellectual capital on the board.
- c. Consider the appropriate expertise and diversity required, based on future projected activities of the company.
- d. Consider candidates who are active or retired senior executives with recognized experience related to Company's business.

### ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE:

Since the Nomination & Remuneration Committee of the Board ("NRC") is responsible to identify Directors and recommend them for appointment on the Board, NRC shall make its best endeavours to identify such Directors, who would add diversity to the Board in terms of background, education,

## **Aarti Industries Limited**

qualification, experience, core skills, gender, etc. This is subject to the specific/ special needs of the Company, considering its business and industry requirement.

Accordingly, the NRC shall:

- formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- For every appointment of an independent director, evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - a. use the services of an external agencies, if required;
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates.
- Formulate criteria for evaluation of performance of independent directors and the board of directors;
- Identify 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 of directors their appointment and removal.
- Determine, whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- Recommend to the board, all remuneration, in whatever form, payable to senior management.
- periodically review and report to the Board requirements, if any, in relation to diversity on the Board; and ensure that no person is discriminated against on the grounds of religion, race, gender, nationality, country of origin, cultural background, ancestry, marital status, age, sexual orientation or any other personal or physical attribute which does not speak to such person's ability to perform as a Board member.
- such other functions as may be required under the SEBI Listing Regulations and provisions of the Companies Act, 2013.

### **REVIEW OF THE POLICY:**

In reviewing Board composition, the NRC will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities effectively.

The NRC will also assess Board composition on behalf of the Board and recommend to the Board, for the appointment of new directors based on their qualification, positive attributes and independence.

### **AMENDMENT AND UPDATES:**

The Board shall have the power, subject to applicable laws, to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. The Company Secretary is authorized to make amendment in this policy, where there are any statutory changes necessitating the amendment in the policy.

The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

### **DISCLOSURE OF THE POLICY:**

The Company shall disclose this Policy on its website i.e. [www.aarti-industries.com](http://www.aarti-industries.com). The necessary disclosure, if any, about the policy will also be made as per the requirements of Listing Regulations and other applicable laws.

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