

BASF INDIA LIMITED

NOMINATION AND REMUNERATION POLICY

INTRODUCTION:

The Board of Directors of BASF India Limited (“BIL”) constituted the “Nomination and Remuneration Committee” at the Meeting held on 29th July, 2013 with immediate effect.

OBJECTIVE:

The Nomination and Remuneration Committee and this Policy shall be in compliance with the provisions of Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended. The Key Objectives of the Committee would be:

1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
3. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
4. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
5. To devise a policy on Board diversity
6. To develop a succession plan for the Board and to regularly review the plan;

DEFINITIONS:

“**Act**” means Companies Act, 2013 and rules made thereunder, as amended from time to time

“**Board**” means Board of Directors of the Company

“**Company**” means BASF India Limited or BIL

“**Committee**” means Nomination and Remuneration Committee of the BASF India Limited as constituted or reconstituted by the Board.

“**Directors**” means Directors of the Company

“**Independent Director**” means a Director referred to in Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

“Key Managerial Personnel” (KMP) means Key managerial Personnel as defined under the Companies Act, 2013 and includes Chief Executive Officer or Managing Director or Manager, Whole-time Director, Chief Financial Officer, Company Secretary and such other officer as may be prescribed.

“Senior Management” shall mean officers/personnel of the Company who are members of its core management team excluding Board of Directors but includes all members of management one level below the Chief Executive Officer/ Managing Director/ Whole-time Director and shall specifically include Company Secretary and Chief Financial Officer.

The words and expressions defined under the Companies Act, 2013 but not defined herein shall have the meaning assigned in the Act.

ROLE OF THE COMMITTEE

I. Matters to be dealt with, pursued and recommended to the Board by the Nomination & Remuneration Committee

The Committee shall:-

- Formulate the criteria for determining qualifications, positive attributes and independence of a Director.
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- Recommend to the Board, appointment (including remuneration) and removal of Director, KMP and Senior Management Personnel.

II. Policy on Nomination of Directors, Key Managerial Personnel (KMP) and Senior Management

1) Appointment criteria and qualifications:

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

The Company shall have adequate mechanism of searching the right talent.

2) Term / Tenure

a) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b) Independent Director:

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 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 three years of ceasing to become an Independent Director, provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. However, if a person who has already served as an Independent Director for 5 years or more in the Company as on October 1, 2014 or such other date as may be determined by the Committee as per regulatory requirement; he/ she shall be eligible for appointment for one more term of 5 years only.

At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies or such other number as may be prescribed under the Act.

c) Evaluation

The Committee/ Board of Directors of the Company shall carry out evaluation of performance of every Director and KMP at regular interval (yearly).

d) Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

e) Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will 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.

III. Policy on Remuneration to the Managing Director, Whole-time Director, KMP and Senior Management Personnel(s)

The Committee shall recommend to the Board the remuneration to be paid to each and every director on the Board of the Company including break-up of the remuneration into various components. However, the same shall be approved by the Board as well as the Shareholders of the Company. Increments to the existing remuneration / compensation structure shall be recommended by the Committee to the Board which shall be within the overall maximum limits of managerial remuneration approved by the shareholders for Managing Director and Whole-time Directors of the Company. The overall managerial remuneration in respect of any financial year should not exceed 11 percent of the net profits of the Company for that financial year unless approved by the Shareholders and subject to the provisions of the Act. The overall remuneration to be paid shall be within the limits provided in the Act and subject to the approval of the shareholders of the Company, if payment of remuneration is in excess of the limits provided in the Act.

If in any financial year, the Company has no profits or its profits are inadequate, the Company shall make payment of remuneration within the maximum limits as minimum remuneration to the Managing Director, Whole-time Directors of the Company based on the recommendation of the Committee and subject to the approval of the Shareholders in accordance with the provisions of the Act and Schedule V of the Act. If any Managing Director / Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless approved by the shareholders of the Company.

The remuneration to be paid to the Non-executive/Independent Directors shall be approved at a meeting of the Board, subject to the approval of the shareholders of the Company. The total remuneration/compensation payable to the entire group of Non-executive/Independent Directors shall be limited to a fixed amount per year as commission, determined by the Board. This amount shall not exceed 1% of the net profit of the Company for the each financial year calculated as per the provisions of the Companies Act, 2013. Apart from the commission, the Non-executive/Independent Directors of the Company may also receive sitting fees for attending the Board and/or Committee thereof provided that the amount of such fees shall not exceed Rs.1 lakh per meeting of Board and/or Committee or such amount as may be prescribed by the Central Government, if any from time to time.

The criteria for payment of commission to Non-executive/Independent Directors shall be based on:

- a) Number of Board Meetings & Committee meetings attended during a financial year.
- b) Time devoted towards the affairs of the Company.
- c) Performance of the Company during a financial year.
- d) Additional work / areas performed.

The Independent Directors will not be entitled for any bonus during the appointment and also cannot participate in any employee stock option scheme, if any, operated by the Company or any Group Companies.

All the Directors will be covered under the Directors' and Officers' Insurance Policy of the Company.

Remuneration payable to Managing Director, Whole-time Director, KMP and Senior Management Personnel(s) shall be in accordance with the Company policies in this regard and all payments shall be subject to approval of this Committee and/or the Board as the case may be.

IV. Policy on Performance Evaluation of the Board

The Committee/Board shall carry out evaluation of performance of every Director and KMP at regular interval (yearly).

The purpose of the evaluation is to assess the performance of Directors in discharging their responsibilities and to evaluate how effectively the Board, the Directors and the other committees are fulfilling their role and duties.

The Committee shall make recommendation to the Board regarding the person to be considered as candidature for the post of Director of the Company, based on their skill, judgment, diversity and experience. As a part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board shall be considered. As a member of the Board, performance of every Director shall be annually evaluated by the Committee/ Board of Directors. The performance of Independent Directors shall be evaluated by the entire Board excluding the Director being evaluated.

The Committee/ Board of Directors shall conduct an annual Board evaluation and a peer evaluation survey to assess the performance of the Board as a whole and that of individual Board members. Performance shall be assessed based on clearly defined objective criteria. This is in line with the Company's policy of being data-oriented in every transaction and decision. Performance is measured against commitments and best-in-class benchmarks.

Certain factors to be considered for evaluation could be as follows:

- Director's Participation in various discussions during the year.
- Contribution by a Director to Company Strategy, Board Committees and in achieving the objectives of the Company.
- Professional Commitment and dedication to the mission of the Company (including advice/guidance provided to the employees/senior management outside of Board Meetings).
- Understanding of the Policies of the Company and observance of Code of Conduct.

- Degree of Independence including relevance of any conflicts of interest.
- Availability for and attendance at Board Meetings and other relevant events.
- Integrity and maintenance of Confidentiality.
- Relationship with Stakeholders.
- Effective deployment of knowledge and expertise.
- Any other factor as considered necessary in this regard.

Though the performance evaluation would be carried out by the Committee/Board, the above factors would also help the Directors of the Company to assess their own contribution/performance to the effective governance of the Company.

Depending upon the outcome of the report of performance evaluation, the Committee may recommend to the Board about removal of any Director in case it is in the interest of the Company. Also, the Committee may recommend regarding extension or continuation of the term of appointment of the Independent Director.

The Committee shall periodically review the Policy and carry out necessary changes as may be required or mandated on account of change in the governing regulations.

V. Board Diversity:

The Board of Directors shall comprise of Directors having expertise in different areas/ fields like Finance, Sales and Marketing, Banking Engineering etc or as may be considered appropriate. The Board shall have atleast one member who has accounting or related financial management expertise.

Diversity of the Board shall also be governed by various provisions of the Companies Act, 2013 and other regulations governing the Company like Listing Agreement.

The Company recognizes and embraces the importance of a diverse Board in its success. The Company believes that a truly diverse Board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender, which will ensure that the Company retains its competitive advantage. The Company believes that a diverse Board will contribute to the achievement of its strategic and commercial objectives, including to:

- drive business results;
- make corporate governance more effective;
- enhance quality and responsible decision making capability;
- ensure sustainable development; and
- enhance the reputation of the Company.

The Committee is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified persons to occupy Board positions. While all appointments to the Board will continue to be made on merit, the Committee will consider the benefits of diversity (including but not limited to the attributes listed above) in identifying and recommending persons for Board membership, as well as in evaluating the Board and its individual members. Further, the Committee will ensure that no person is discriminated against on grounds of religion, race, gender, pregnancy, childbirth or related medical conditions, national origin or 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.

FUNCTIONING OF THE COMMITTEE

I. Composition of the Committee

The Committee shall consist of minimum three (3) Directors out of which majority to be Non-Executive Independent Directors.

Term of the Committee shall be continued unless terminated by the Board of Directors.

II. Chairperson

The Chairperson of the Committee shall be an Independent Director. In the absence of Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson. Chairperson of the Committee shall be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

III. Frequency

The meeting of the Committee shall be held at such regular intervals as may be required.

IV. Committee members' interest

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated. The Committee may invite such executives, as it considered appropriate, to be present at the meetings of the Committee.

V. Secretary

The Company Secretary of the Company shall act as Secretary of the Committee.

VI. Voting

Matters arising for determination at Committee meetings shall be decided by a majority of votes of members present and voting and any such decision shall for all purposes be deemed a decision of the Committee. In case of inequality of votes, the Chairman of the meeting will have a casting vote.

AMENDMENTS

The Committee shall periodically review the Policy and carry out necessary changes as may be required or mandated on account of change in the governing regulations.