

**PATANJALI FOODS LIMITED**

*(Formerly known as Ruchi Soya Industries Limited)*

**REMUNERATION AND BOARD DIVERSITY POLICY**

*(Approved by the Board of Directors at its meeting held on August 11, 2023)*



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**(Formerly known as Ruchi Soya Industries Limited)**

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## REMUNERATION AND BOARD DIVERSITY POLICY

### 1. PREFACE

Section 178 of the Companies Act, 2013 requires the Nomination and Remuneration Committee to recommend to the Board a policy for nomination of directors, key managerial personnel, senior management and other employees. Further, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) also requires the Nomination and Remuneration Committee to recommend a policy relating to the remuneration of the directors, key managerial personnel and other employees.

This Remuneration and Board Diversity Policy (the “**Policy**”) applies to the Board of Directors (the “**Board**”), Key Managerial Personnel (the “**KMP**”), the Senior Management Personnel and to other Employees of Patanjali Foods Limited (the “**Company**”).

### 2. DEFINITIONS

For the purposes of this Policy, unless the context otherwise requires, the following terms will have the meaning ascribed to them below:

1. “**Act**” means Companies Act, 2013 including Rules made thereunder, as amended, from time to time.
2. “**Board**” or “**Board of Directors**” means members of the Board of Directors of the Company.
3. “**Company**” means Patanjali Foods Limited.
4. “**Director**” means a director on the Board of the Company.
5. “**Independent Director**” has the meaning ascribed to such term under Section 2(47) of the Act and Regulation 16(1) (b) of the SEBI Listing Regulations.
6. “**Key Managerial Personnel**” or “**KMP**” shall mean – (i) the Chief Executive Officer or the Managing Director or the Manager; (ii) the Company Secretary; (iii) Whole-Time Director; (iii) the Chief Financial Officer; (iv) 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 in the Act.
7. “**Nomination and Remuneration Committee**” means the Nomination and Remuneration Committee constituted by the Board of Directors of the Company under provisions of the Act and the SEBI Listing Regulations.





8. “**Policy**” means this Remuneration and Board Diversity Policy.
9. “**SEBI Listing Regulations**” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, from time to time.
10. “**Senior Management**” shall mean those personnel of the Company who are members of its core management team excluding the Board, comprising all members of management 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 the functional heads, by whatever name called, and the company secretary and chief financial officer. For the sake of clarity, Senior Management shall also include personnel employed as ‘Senior Management’ under Section 178 of the Act.

*Words and expressions not defined in this Policy shall have the same meaning as contained in the Act, the SEBI Listing Regulations or any other applicable laws or regulations.*

### **3. PURPOSE**

The primary objective of the Policy is to provide a framework and set standards for the selection, nomination, remuneration and evaluation of the Directors, Key Managerial Personnel, officials comprising the senior management and other employees. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel, Senior Management and other employees. This Policy *inter-alia* sets out the approach to diversity on the Board of Directors of the Company.

### **4. ACCOUNTABILITIES**

- a. The Board is ultimately responsible for the appointment of Directors and Key Managerial Personnel.
- b. The Nomination and Remuneration Committee shall assess and select the candidates for the role of Directors, Key Managerial Personnel and the Senior Management of the Company and shall make recommendations to the Board.

### **5. NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee is responsible for:



## *Remuneration and Board Diversity Policy*

- 5.1 Formulation of 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;
- 5.2 Preparation of description of the role and capabilities required of an independent director based on evaluation of the balance of skills, knowledge and experience required on the Board.  
For the purpose of identifying suitable candidates, the Committee may:
  - a. use the services of 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
- 5.3 Devising a policy on diversity of board of directors;
- 5.4 Formulation of criteria for evaluation of performance of independent directors and the board of directors.
- 5.5 Devising a policy on diversity of board of directors
- 5.6 Identifying persons who are qualified to become directors and who may be appointed as KMPs or in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- 5.7 Making recommendations to the Board concerning matters relating to extension/ continuation of the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors or any other director including suspension/ termination of service of an executive director as an employee of the Company subject to the provision of the law and their service contract;
- 5.8 Making recommendations to the board on remuneration, in whatever form, payable to Directors/ KMPs/ senior management so appointed/ re-appointed.
- 5.9 Ensuring that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- 5.10 Ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- 5.11 Ensuring that the remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- 5.12 To develop a succession plan for the Board and to regularly review the plan.

## **6. COMPOSITION OF NOMINATION AND REMUNERATION COMMITTEE**

- 6.1. The Nomination and Remuneration Committee comprises of the following:





- a) The Committee shall consist of a minimum three non-executive directors, two third of them shall be independent.
- b) The quorum for a meeting of the committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.
- c) The composition of the Committee shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.
- e) The Nomination and Remuneration Committee shall meet at least once in a year.

#### **6.2. CHAIRMAN / CHAIRPERSON**

- a) Chairman/Chairperson of the Committee shall be an Independent Director.
- b) Chairman of the Company may be appointed as a member of the Committee but shall not be the Chairman/Chairperson of the Committee.
- c) Chairman/Chairperson of the Committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

#### **6.3. COMMITTEE MEMBERS' INTERESTS**

- a) 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.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

#### **6.4. VOTING**

- a) 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.
- b) In case of equality of votes, the Chairman/Chairperson of the meeting shall have casting vote.

### **7. APPOINTMENT OF DIRECTORS/KMPS/SENIOR MANAGEMENT/OFFICIALS**

7.1. Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMP/a level below KMP are the basis for the Nomination and Remuneration Committee to select a candidate for appointment as KMP or a level below KMP and to the Board.



7.2. When recommending a candidate for appointment, the Nomination and Remuneration Committee has regard to:

- (i) assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;
- (ii) the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
- (iii) the skills and experience that the appointee brings to the role of KMP/Senior Management/Official and how an appointee will enhance the skill sets and experience of the Board as a whole;
- (iv) the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment.

7.3. Personal specifications:

- (i) Degree holder in relevant disciplines;
- (ii) Experience of management in a diverse organization;
- (iii) Excellent interpersonal, communication and representational skills;
- (iv) Demonstrable leadership skills;
- (v) Commitment to high standards of ethics, personal integrity and probity;
- (vi) Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace;
- (vii) Having continuous professional development to refresh knowledge and skills.

## **8. LETTERS OF APPOINTMENT**

Each of Directors/KMP/Senior Management/ Officials/other employees is required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned in the Company.



**9. REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL**

9.1. The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, Key Management Personnel and other senior officials.

The Directors, Key Management Personnel and other senior official's remuneration shall be based and determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed under the Act and the Rules made thereunder, if any.

The Nomination & Remuneration Committee shall determine and recommend individual remuneration packages for Directors, KMPs and Senior Officials of the Company to the Board of Directors after taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government / other guidelines.

**9.2. REMUNERATION**

a) Base Compensation (fixed salaries)

Must be 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; (includes salary, allowances and other statutory/ non-statutory benefits which are normal part of remuneration package in line with market practices).

b) Variable salary:

The Nomination & Remuneration Committee may in its discretion structure any portion of remuneration to link rewards to corporate and individual performance, for fulfilment of specified improvement targets or the attainment of certain financial or other objectives set by the Board. The amount payable shall be determined by the Committee, based on performance against pre-determined financial and non-financial metrics.





9.3. Statutory Requirements:

- Section 197(5) of the Act provides for remuneration by way of a fee to a director for attending meetings of the Board of Directors and Committee meetings or for any other purpose as may be decided by the Board.
- Section 197(1) of the Act provides for the total managerial remuneration payable by the Company to its directors, including managing director and whole time director, and its manager in respect of any financial year shall not exceed eleven percent of the net profits of the Company computed in the manner laid down in Section 198 of the Act, except that the remuneration of the Directors shall not be deducted from the gross profits.
- The Company with the approval of the shareholders may authorize the payment of remuneration exceeding eleven percent of the net profits of the company, subject to the provisions of Schedule V to the Act.
- The Company may with the approval of the shareholders by way of special resolution authorize the payment of remuneration exceeding five percent of the net profits of the Company to its anyone Managing Director/Whole Time Director/Manager and exceeding ten percent in case if there is more than one such official.
- The Company may pay remuneration to its directors, other than Managing Director and Whole Time Director up to one percent of the net profits of the Company, if there is a managing director or whole time director or manager and three percent of the net profits in any other case.
- Regulation 17(6)(e) of SEBI Listing Regulations provides that the fees or compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if-
  - (i) the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or
  - (ii) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the listed entity:



Provided that the approval of the shareholders under this provision shall be valid only till the expiry of the term of such director.

- The net profits for the purpose of the above remuneration shall be computed in the manner referred to in Section 198 of the Act.

9.4. The Independent Directors shall not be entitled to any stock option and may receive remuneration by way of fee for attending meetings of the Board or Committee thereof or for any other purpose as may be decided by the Board.. The sitting fee to the Independent Directors shall not be less than the sitting fee payable to other directors.

9.5. The remuneration payable to the Directors shall be as per the Company's policy and subject to the provisions of the Act and shall be valued as per the applicable provisions of the Income-tax Act, 1961 read with applicable rules.

9.6. The remuneration payable to the Key Managerial Personnel and the Senior Management shall be as may be decided by the Board and subject to the provisions of the Act having regard to their experience, leadership abilities, initiative taking abilities and knowledge base. Evaluation/ Assessment of Directors/ KMPs/Senior Officials of the Company.

9.7. The evaluation/assessment of the Directors, KMPs and the senior officials of the Company is to be conducted on an annual basis to comply with the requirements of the SEBI Listing Regulations and the Act.

The following criteria may assist in determining how effective the performance of the Directors/KMPs/Senior officials have been:

- leadership & stewardship abilities;
- contributing to clearly defined corporate objectives & plans;
- communication of expectations & concerns clearly with subordinates;
- obtain adequate, relevant & timely information from external sources;
- review & approval of achievement of strategic and operational plans, objectives, budgets;
- regular monitoring of corporate results against projections;
- identify, monitor & mitigate significant corporate risks;



- assess policies, structures & procedures;
- direct, monitor & evaluate KMPs, senior officials;
- review management's succession plan;
- effective meetings;
- assuring appropriate board size, composition, independence, structure;
- clearly defining roles & monitoring activities of committee; and
- review of corporation's ethical conduct.

9.8. Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Whole-time/Non-Independent Directors in a separate meeting of the Independent Directors.

The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

The Nomination and Remuneration Committee shall also carry out evaluation of the performance of Directors of the Company at regular interval.

#### 9.9. Remuneration of other employees

The remuneration to other employees shall be fixed considering internal, external and individual equity; and also procedural equity.

##### Key Principles:

Remuneration should be sufficient to attract, retain and motivate best talent suits to the requirement of the Company. Remuneration practice should be consistent with the recognized best standard practices for other employees.

##### Elements of the Remuneration structure of other Employees:-

- Fixed salary - Company shall provide the base level fixed remuneration to reflect the scale and dynamics of the business and to be competitive with the external market.
- Perquisites and Allowances - Company shall provide such perquisites and allowances to other employees, as it may consider necessary, keeping in view the market trend, industrial analysis etc.





- Performance-linked bonus which shall be a cumulative outcome of both the individual target achievement level as well as the Company's Performance.
- Special awards for breakthrough business performance
  
- Retention Bonus, where deemed fit, to ensure continuity of service depending upon: Criticality of the role, Difficulty of replacement, Risk of Resignation.
- Premium for Health Insurance - The Company may pay the premium for Health Insurance for employees and their spouse as may be decided by the Board.
- Other benefits in accordance with the market practice.

Annual remuneration reviews shall be based on individual performance, Company Performance, market environment and future plans.

## **10. BOARD DIVERSITY**

The Company is committed to actively managing diversity as a means of enhancing its performance by recognizing and utilizing the contribution of diverse skills and talent from its directors, officers and employees.

To ensure that the Company has a diverse Board, all appointments shall be made on the basis of merit and due regard shall be given to other attributes including gender, age, cultural, educational & geographical background, ethnicity, professional experience, skills and knowledge. This will also contribute to drive growth, improve corporate governance practices, enhance decision making and gain competitive advantage.

Considering the above, the Nomination and Remuneration Committee shall recommend the appointment or continuation of members to achieve optimum combination at the Board and periodically assess the specific requirements in relation to Board diversity.

## **11. REVIEW**

The Nomination and Remuneration Committee or the Board may review the policy as and when it deems necessary. The Nomination and Remuneration Committee may issue the guidelines, procedures, formats, reporting mechanism and manual in supplement and better implementation to this policy, if it thinks necessary.

This policy may be amended or substituted by the Board of Directors on the recommendation of the Nomination and Remuneration Committee.



## **12. INTERPRETATION**

The Nomination and Remuneration Committee of the Company shall, subject to supervision of the Board, interpret and administer this Policy in line with the broad intent of this Policy read with the applicable provisions of the Act, rules made thereunder, and the SEBI Listing Regulations.

The decision of the Board with regard to any or all matters relating to this Policy shall be final and binding on all concerned. The Board shall have the power to modify, amend or replace the Policy in part or full, as may be thought fit from time to time in their absolute discretion.

## **13. AMENDMENT**

In the event of any conflict between the provisions of this Policy and the Act or the SEBI Listing Regulations or any other statutory enactments or rules, the provisions of the SEBI Listing Regulations / the Act or statutory enactments, rules made thereunder shall prevail over this Policy and the part(s) so repugnant shall be deemed to be severed from the Policy and the rest of the Policy shall remain in force. Any subsequent amendment/ modification in the Regulations shall automatically apply to this Policy.

