



**BUTTERFLY GANDHIMATHI APPLIANCES LIMITED**  
**POLICY FOR APPOINTMENT & EVALUATION OF BOARD**  
**OF DIRECTORS AND SENIOR MANAGEMENT**

## **POLICY FOR APPOINTMENT & EVALUATION OF BOARD OF DIRECTORS, SENIOR MANAGEMENT INCLUDING KEY MANAGERIAL PERSONNEL**

[Pursuant to Section 178(3) of the Companies Act 2013 read with Companies (Meetings of Board and its Powers) Rules 2014 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation 2015].

### **1. PREAMBLE:**

**Butterfly Gandhimathi Appliances Limited ('The Company')** is a widely held public limited company, listed on the Bombay Stock Exchange Ltd and National Stock Exchange Ltd. As per the requirements, the Company should have a formal policy on various aspects relating to determining qualification, positive attributes and independence of the directors and senior management and remuneration to various categories of the senior management of the Company including Key Management Personal. The expression 'Senior Management' means employees of Company who are members of its core management team excluding directors comprising of all members of the senior management one level below the executive directors, including functional heads. The Company ensures and maintains the appropriate balance of skills, experience and knowledge on its Board of Directors ('the Board'), enabling the Board to discharge its functions and duties efficiently and effectively.

The Board consists of members with high professional skills, qualifications and qualities to meet its primary responsibility for promoting the Company's business and ensuring that the interests of shareholders are promoted and adequately protected.

The Company has continued a Nomination and remuneration committee (hereinafter "the Committee"), which is responsible for formulating the criteria for appointment of Directors, including Independent Directors and recommending to the Board the remuneration for Key Managerial personnel and other Senior Management Personnel. The Committee also evaluates annually the performance of every director, pursuant to the provisions of Section 178(2) of the Companies Act 2013 ('the Act').

### **2. APPOINTMENT OF DIRECTORS**

After identifying a person for appointment as a Director of the company, the Committee shall ensure that the person concerned does not suffer from any disqualification for such appointment, as stipulated in section 164 of Companies Act, 2013. The Appointee shall not hold office as a Director, including any alternate directorship in more than twenty companies at the same time, provided also that the maximum number of public companies in which he is a Director should not exceed ten.

The Companies shall recommend to the Board the initial appointment of the identified person as an Additional Director or Alternate Director, as the case may be, in terms of section 161 of the Act read with Company's Articles of Association. A person appointed as Additional Director shall hold office up to the date of the next Annual General Meeting or the last date, on which the Annual General meeting should have been held, whichever is earlier. An alternative Director shall hold office up to the period the Director in whose place he has been appointed would have continued to hold such position. Provided that no person shall be appointed as an Alternate Director for an Independent Director unless he is qualified to be appointed as an Independent Director under the provisions of the Act.

Every Director shall only be appointed by the shareholders in General meeting.

### **3. APPOINTMENT OF INDEPENDENT DIRECTORS:**

An Independent Director in relation to a Company is a Director other than a Managing Director, Whole-time director or Nominee Director, who fulfils the attributes mentioned in section 149(6) of the Act.

The appointment process of the Independent Director, the Committee shall ensure that he 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.

The Committee shall also consider the following factors under section 149(6) of the Act:-

1. Integrity and relevant expertise and experience.
2. Requisite qualification so that he/she will exercise his/her role effectively.
3. Have an expert knowledge in field where the Company operates and shall provide his/her suggestions to the Board members of the Company to arrive at final decision which is in the best interest of the company.
4. Not a promoter or related to promoter of the Company or its holding, subsidiary or associate company;
5. Must not have any material or pecuniary relationship during the two immediately preceding financial years or during the current financial year with the Company, its holding, subsidiary or associate company or their promoters or directors.
6. The relatives of such person should not have had any pecuniary relationship with the Company or its subsidiaries amounting to 2% or more of its gross turnover or total income or Rs.50 lacs or such higher amount as may be

prescribed, whichever is less, during the two immediately preceding financial years or in the current financial year;

7. Who neither himself nor any of his relatives –

- (i) hold or has held 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.
- (ii) Is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding year in which he is proposed to be appointed, of—
  - A. A firm of auditors or company secretaries in practice or cost auditors of the Company or its holding, subsidiary or associate company; or
  - B. 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;
- (iii) Holds together with his relatives two per cent or more of the total voting power of the company ; or
- (iv) Is a Chief executive or director, by whatever name called, of any non-profit organization that receives 25% or more of its receipt from the Company, any of its promoters, directors or its holding, subsidiary or associate Company or that holds 2% or more of the total voting power of the Company; or
- (v) Is not less than 21 years of age

Appointment of Independent Directors, after approval of the committee and the Board, shall be finally approved at the meeting of the Shareholders. The explanatory statement attached to the Notice of the meeting for approving the appointment of Independent Director shall include a statement that in the opinion of the Board, the independent Director proposed to be appointed fulfils the conditions specified in the Act, the Rules made thereunder and SEBI guidelines and that the proposed Director is independent of the management.

Subject to the provision of section 152 of the Act, an Independent Director shall hold office for a term up to five consecutive years on the Board, but shall be eligible for reappointment for a further term of five years on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

The appointment of Independent Directors shall be formalised through a Letter of Appointment, which shall set out:

- a) Term of appointment

- b) The expectation of the Board from the appointed Director, the Board level Committee(s) in which the Director is expected to serve and its tasks;
- c) The fiduciary duties that come with such an appointment along with accompanying liabilities;
- d) Provision for Directors and Officers (D&O) insurance, if any;
- e) The Code of Business ethics that the Company expects its Director and employees to follow;
- f) The list of actions that a Director should not do while functioning as such in the Company; and
- g) The remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Board's and other meeting and profit related commission, if any.

The terms and condition of appointment of Independent Directors shall be open for inspection at the Registered Office of the Company by any member during normal business hours.

The terms and conditions of appointment of Independent Directors shall also be posted on the Company's website.

Schedule IV of the Companies Act (Clause I to III) enumerates the guidelines for professional conduct, role and functions and duties of Independent Directors, which is supplemented by Clause 25 of the SEBI (LODR) Regulations 2015.

#### **4. APPOINTMENT OF DIRECTORS KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT:**

Pursuant to the provisions of Section 203 of the Act, the Company shall have the following whole-time key managerial personnel:-

- (i) Managing Director(s)
- (ii) Whole-time Directors
- (iii) Chief Executive Officer
- (iv) Company Secretary
- (v) Chief Financial Officer and
- (vi) Such other officers as may be prescribed

The Committee shall recommend to the Board appointment or reappointment of a person as the Managing Director/Whole-time Director of the Company for a term not exceeding five years at a time. No reappointment shall be made earlier than one year before the expiry of the appointee's term.

All appointments and remuneration payable to Managing Director and Whole-time Director shall be governed by the provisions of Section 196, 197 and 203 and other applicable provisions of the Act and the Rules made thereunder, read with Schedule V to the Act and shall be approved by shareholders at a general meeting.

While recommending the remuneration payable to the Managing Director or Whole-time Director, the Committee shall take into account the experience and achievements of the person, remuneration paid to managerial personnel in similar type of industry, cost of living and the expected contribution from the appointee from the Company's future growth.

The Committee shall also ensure compliance with the provisions of Section 178(4) of the Act, viz.,

- a) 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;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) 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;

The Committee shall recommend to the Board the suitable candidate having the qualifications, experience and background for appointment as the Chief Executive Officer or the Company Secretary or the Chief Financial Officer of the Company. The Board shall appoint them by means of a resolution containing the terms and conditions of their appointment including the remuneration.

Whole-time key managerial personnel (excepting the Managing Director) shall not hold office in more than one Company at the same time.

#### **5. PERFORMANCE EVALUATION OF INDEPENDENT DIRECTORS:**

An annual performance evaluation of an Independent Director shall be carried out by all other Directors at the end of the financial year in the form of a questionnaire as under:

- Attendance of the Independent Director at meetings
- Independent Director's willingness to spend time and effort for learning about the company and its business.
- The quality and value of his contributions at Board Meetings
- His contribution to the development of (i) Strategy and (ii) risk management
- Effectiveness in following up matters about which he has expressed concern
- Resoluteness in holding his views and resisting pressure from others.
- His relationship with other Board members, the CEO, Company Secretary, CFO and senior management
- His communication skills with other Board members, senior management and others (e.g. shareholders)

- Knowledge on latest developments in areas such as the Corporate Governance framework and financial reporting and in the industry and market conditions
- Ability to present his views convincingly and diplomatically
- Participation in discussion related to Internal Audit Report, Cost Audit Report and Secretarial Audit Report.
- Listening to the views of other Board Members.
- **“TO BE ADDED”**
- **Fulfilment of the Independence criteria as specified in these regulations and their independence from the management.**

## **6. PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS:**

An annual appraisal/evaluation of Executive Directors, viz., Managing Directors and Whole-time Directors shall be carried out by all the other Directors of the company. The annual evaluation shall be carried out in the form of questionnaire as mentioned herein below, to be circulated among other Directors except the Executive Director being evaluated.

- Compliance with Articles of Association, Companies Act, SEBI Guidelines and other laws.
- Strategic planning – Financial and Business
- Monitoring performance against plans
- Compliance with ethical standards and Code of Conduct
- Exercising duties diligently
- Punctuality
- Disclosure of interest
- Leadership skills
- Motivating employees, providing assistance and directions
- Establishment of Internal Control Processes
- Communication Skills
- Attendance and presence in meetings of Board and Committees
- Attendance at General Meetings
- Team work attitudes
- Monitoring policies, encouraging suggestions
- Supervising and Training the Staff Members
- Safeguarding confidential information.

## **7. EVALUATION OF COMMITTEES OF BOARD:**

The Board has constituted the following Committees:-

- i. Audit Committee
- ii. Executive Committee
- iii. Shareholders' Relationship Committee

- iv. Nomination and Remuneration Committee
- v. Corporate Social Responsible Committee

For evaluating the performance of each Committee, the Board of Directors shall take into account the following aspects:

- Compliance with Articles of Association, Companies Act, SEBI Guidelines and other laws
- Compliance with ethical standards and code of conduct of Company
- Committee's accomplishment with reference to performance objectives
- Redressal of Shareholders' complaints and grievances
- Co-ordination with other Committees and Board of Directors
- Fulfilment of roles and responsibilities
- Adherence to Company policies and internal procedures

## **8. EVALUATION OF CHIEF EXECUTIVE OFFICER:**

Strategic Organisation Management:

- Provide the organisation with a vision and leadership and carry out its mission.
- Maintain staff and volunteers focus on its mission and vision and balance organisational priorities through a inclusive strategic planning and management system.
- Seeks out opportunities to improve organisation operations and shift organisation philosophy to integrate developments and programme to function as a strong, cohesive operation.
- Develop policies and strategies for financial management including all revenues, expenses and investments.
- Ensures rigorous accountability and long term stability through their conservative, physical, management of resources.
- Encourages and facilitates plans of technology to enable re-engineering of programs and process to make optimal use of resources
- Decision making – exercise, judgement in researching organising, analysing and presenting information to assist the Board of Directors in setting organisation policies along which the management team makes organisation strategies and decision.
- Exercise, judgement and discretion in communicating with voluntaries and developing recommendations and proposals, interpretation, implementation and indicating alternative and solutions.
- Drive development of channel budget and obtain approval by the Board of Directors
- Supports development – definition of company's wide policies
- Monitor product wise performance and make each product a profit centre
- Allocate and approve resources (i.e., financial, human resources) requirements at various functions
- Periodically refine performance against long term strategy and make mid-course completion
- Improve company's top revenue, gross profit, EBITA, geographical growth, export, sales, sales through new channels like CSD, Online and LFR



- Endeavour to make after sales service very effective and remunerative
- Ensure hygiene in the key areas of sales and marketing, finance & accounts and production.

#### **9. EVALUATION OF COMPANY SECRETARY:**

- Compliance with Articles of Association, Companies Act, SEBI Guidelines and other laws
- Compliance with ethical standards and code of conduct of Company
- Reporting to the Board about compliance with applicable laws
- Ensuring compliance with Secretarial Standards
- Assistance to the Board of Directors
- Discharge of duties assigned by Board
- Success of meeting convened
- Preparation of Minutes'
- Attendance and presence in meetings of Board, Committees of Board and General Meeting.
- Assistance in obtaining required approvals from Board, Shareholders, Government and other Authorities
- Representation before various Regulators on behalf of the Company
- Advising Board on Corporate Governance and compliance thereunder
- Punctuality

#### **10. EVALUATION OF CHIEF FINANCIAL OFFICER:**

- Meeting Regulatory Reporting requirements
- Development of robust standards and procedures
- Development of management reporting systems to facilitate the detailed performance, monitoring and decision making requirements
- Capabilities for framing the Budgeting and Planning processes timely
- Risk adjustment performance
- Finance cost reduction as a percentage of total revenue
- Shrewd deployment of capital to maximise shareholder returns
- Participation as an active member of the business team
- Elimination of 'non-value added' activities
- Timely and accurate preparation of accounts and other financial statements.
- Adherence of internal controls and zero deviation from the procedures
- Adherence to Audit requirements
- Adherence to Statutory compliance requirements
- Maintaining and improving Company's credit rating
- Ageing analysis of receivables
- Trade creditors payment efficiency
- Attrition level within function team

\*\*\*\*\*