

BOARD EVALUATION POLICY

Introduction:

Aether Industries Limited (referred to as 'Company') is mainly engaged in business of manufacturing basic cum specialty chemicals along with research and development activities.

Company values integrity, commitment, standards and ethics and also believes that such principles and standards govern the behavior of the Company and its' employees. High moral and ethics are always essential for long term achievements and vision of the Company.

Preamble:

The Company has made this policy to comply with various provisions of Section 134 and 178 of The Companies Act, 2013 (the Act) and based on the Code for Independent Directors as indicated under Schedule IV (as per Section 149 sub-section 8) annexed to the Act and the Rules made thereunder.

Further Under SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 various regulations viz. Regulation 17(10), 25(4), Schedule-II etc require formulation and implementation of policy for evaluation of performance of the board of directors including Independent Directors.

In order to meet their fiduciary responsibility to be prudent in making such a delegation, the Nomination and Remuneration Committee of the Company (the "**N&R Committee**") as constituted under Companies (Meetings of Board and its Powers) Rules, 2014 recognizes that it has a duty to carefully monitor and evaluate the Independent Directors and Board of Directors it has appointed. Performance evaluation is important to the N&R Committee and, therefore, it has approved this Policy about the way it will evaluate the Independent Directors and Board of Directors of the Company. The policy is recommended to the Board and the Board may acknowledge that the process and criteria outlined below are unique to Independent Directors and Board of Directors position.

Objects:

The objective to undertake evaluation of Board and individual Directors are as under:

- a) To ensure commitment to performance the management;
- b) To review challenges in the dynamics of the Board or among the Board and the management;
- c) To enhance good corporate governance;
- d) To develop appropriate skills, competencies and motivation on the Board.

The scope of the evaluation extends to Directors including Independent Directors, the Non-Executive Chairman, the Managing Director / Whole Time Directors and to Key Executives on the basis of the criteria set forth by the Nomination & Remuneration Committee.

Evaluation of the Board:

The evaluation / assessment of the Directors of Company, is to be conducted on an annual basis, which helps Directors to develop a shared understanding of their governance role and responsibilities; thereby complying with the provisions of the Listing Regulations.

The Chairman of the N&R Committee shall collect the input and prepare a Report that will be submitted to the N&R Committee on an annual basis, after the end of every financial year. Based on the reports submitted, the N&R Committee shall assess and discuss the performance of the Board as a whole every year, and ascertain key areas for improvement and the requisite follow-up actions.

Evaluation of the Executive Directors of the Company shall be carried out by entire Board except the Director being evaluated.

The meeting for the purpose of reviewing of evaluation of performance of Board Members shall be held at least once in a year and the Company shall disclose the criteria laid down by the N&R Committee for performance evaluation on its website for the reference and also in the Annual Report of the Company.

Performance evaluation criteria:

The N&R Committee has laid down the criteria for evaluation of performance of Independent Directors and the Board.

1. Attendance and contribution at Board and Committee meetings.
2. His / her stature, appropriate mix of expertise, skills, behaviour, experience, leadership qualities, sense of sobriety and understanding of business, strategic direction to align company's value and standards.
3. His / her knowledge of finance, accounts, legal, investment, marketing, foreign exchange / hedging, internal controls, risk management, assessment and mitigation, business operations, processes and Corporate Governance.
4. His / her ability to create a performance culture that drives value creation and a high quality of debate with robust and probing discussions.
5. Effective decision making ability to respond positively and constructively to implement the same to encourage more transparency.
6. Open channels of communication with executive management and other colleague on Board to maintain high standards of integrity and probity.

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7. Recognize the role which he / she is expected to play, internal Board Relationships to make decisions objectively and collectively in the best interest of the Company to achieve organizational successes and harmonizing the Board.
8. His / her global presence, rational, physical and mental fitness, broader thinking, vision on corporate social responsibility etc.
9. His / her ability to monitor the performance of management and satisfy himself with integrity of the financial controls and systems in place by ensuring right level of contact with external stakeholders.
10. His / her contribution to enhance overall brand image of the Company.

Performance rating:

Based on evaluation criteria laid down in this Policy, the Board of Directors shall rate the performance of the each and every Director, including the Chairman of the Company.

The N&R Committee based on the performance evaluation criteria and the evaluation rating of each Director as submitted by the Board of Directors shall give overall performance evaluation rating to each and every Director.

The Nomination & Remuneration Committee based on overall performance evaluation rating shall decide the performance and effectiveness of the Board of Directors as a whole.

The performance rating shall be given within minimum 1 and maximum 10 categories, the rating 1 being least effective and 10 being most effective, as below:

No.	Evaluation Criteria	Rating
1.	Participation and attendance in Board and Committee Meetings actively and consistently	
2.	Prepares adequately for Board and Committee Meetings	
3.	Contributes to strategy and other areas impacting company's performance	
4.	Contributes their experience and credibility to bear on the critical areas of performance of the organization	
5.	Keeps updated knowledge of his/her areas of expertise and other important areas	
6.	Communicates in open and constructive manner	

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7.	Gives fair chance to other members to contribute, participates actively in the discussions and is consensus oriented	
8.	Helps to create brand image of the Company and helpsthe company wherever possible to resolve issues, if any	
9.	Actively contributes toward positive growth of the Company	
10.	Conduct in a manner that is ethical and consistent withthe laws of the land.	
Total Ratings		

Based on the overall performance evaluation rating as given by the N&R Committee, the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or retirement of the member based on his / her performance rating as to create and maintain the most effective and powerful top level management of the Company for its future growth, expansion, diversification and also to maximize the returns on investments to the stakeholders of the Company.

Independence Standards:

An Independent Director is one whom the Board affirmatively determined has no material relationship with the Company. The Board of Directors has adopted the following categorical standards to assist it in determination of each Director's independence:

- i. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- ii. who is or was not a promoter of the company or its holding, subsidiary or associate company;
- iii. who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- iv. apart from receiving director's remuneration, has or had no 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;
- v. none of whose relatives has or had 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;

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vi. who, neither himself nor any of his relatives:

- a) holds 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;
- b) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, 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;
- c) holds together with his relatives two per cent or more of the total voting power of the company;
- d) is a Chief Executive or Director, by whatever name called, of any non-profit organization 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; or
- e) is a material supplier, service provider or customer or a lessor or lessee of the company;

vii. who is not less than 21 years of age.

Procedure for evaluation:

Any and all the Independent Directors and Board of Directors of the Company shall comply with the evaluation criteria as laid down under Clause 4 of this Policy.

- **Evaluation Form**

- i. The N&R Committee will be responsible for the distribution of the evaluation document and the written summary of accomplishments of the Independent Directors and the Board of Directors to each member of the N&R Committee and the collection and tabulation of the completed evaluation details prior to a meeting of the N&R Committee. The N&R Committee will conduct or oversee the ministerial duties to prepare, send, collect and tabulate the evaluation survey document and schedule conference calls or necessary meetings to facilitate the evaluation;
- ii. All N&R Committee members' comments and scores provided in the evaluation survey document will be anonymous, but any negative scores (i.e. any score below the midpoint) given must be accompanied by supporting comments or details in order to be included in the tabulation of results.

- **Consensus**

The N&R Committee recognizes how confusing it can be to send mixed messages to the Independent Directors and Board of Directors of the Company. In order to act as a cohesive governing body and “speak in one voice,” the N&R Committee will strive to reach consensus about the evaluation ratings and messages. In this regard, the results of the evaluation survey that are individually completed by each N&R Committee member will be tabulated and averaged to arrive at a consensus. However, to assure full communication, the individual scores and N&R Committee members’ comments presented on the evaluation survey document will also be reported, but in an anonymous manner. The individual comments and views may also be discussed in N&R Committee meeting, including discussion with the Independent Director and the Board of Directors.

- **Communication**

The N&R Committee will meet with the Independent Director and the Board of Directors soon after the meeting to deliver the outcomes of the evaluation, which shall be in writing. The Independent Directors and the Board of Directors shall not be provided the results of the evaluation until after they have been discussed by the N&R Committee in the meeting. The Independent Director and the Board of Directors shall be provided an opportunity to address the Board in a Committee meeting regarding his or her final evaluation results, or submit a written response to the Board to be kept as an attachment with the written evaluation results.

- **Confidentiality**

The discussions held during the N&R Committee meeting are to be kept confidential among those who attend the meeting. The written evaluation results are not public records. They will be kept in the confidential personnel file of the Independent Director & the Board of Directors.

- **Determinations**

The evaluation results may impact the Independent Director’s compensation. Therefore, the annual review and determination of the Independent Director’s and Board of Directors compensation will be decided at the same time as the evaluation.

Board Committees

This Policy is to ensure committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in its terms of reference. Each year, the Board will undertake the following activities:

- The Board will review the necessity of establishing any committees and delegating certain of its responsibilities to the Committee.
- The Board will review the committees’ achievements during the year based on their duties.

- The Board will review the terms of reference of the committees from time to time to ensure that they are in accordance with applicable law.

Self Evaluation:

- The Board should assess its own performance in relation to the Board's key responsibilities, which include:
 - meeting the business expectation and strategic planning;
 - discharging the board's legal and ethical obligations;
 - monitoring entity performance;
 - monitoring and reviewing the performance of the chief executive; and
 - managing relationships with stakeholders.

Review:

The N&R Committee reserves its right to review and amend this Policy, if required, to ascertain its appropriateness as per the needs of the Company. The Policy may be amended by passing a Resolution at a Meeting of the Committee.