



**ASIAN PAINTS LIMITED**

**TERMS OF REFERENCE OF  
COMMITTEES OF THE BOARD**

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## TERMS OF REFERENCE OF THE COMMITTEES OF THE BOARD OF DIRECTORS OF ASIAN PAINTS LIMITED

### 1. Audit Committee:

#### Terms of reference:

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
2. Reviewing with the management quarterly, half-yearly, nine- months and annual financial statements, standalone as well as consolidated, before submission to the Board for approval;
3. Reviewing the Management Discussion and Analysis of the financial condition and results of operations;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report as per Sec 134(3)(c) of the Companies Act, 2013;
  - b. Changes in the Accounting policies and practices and the reasons for the same, major accounting entries involving estimates based on the exercise of judgment by management and significant adjustments made in the financial statements arising out of audit findings;
  - c. Compliance with listing and other legal requirements relating to financial statements;
  - d. Disclosure of any related party transactions; and
  - e. Modified opinion(s) in the draft audit report, if any.
5. Reviewing the financial statements and investments made by unlisted subsidiary companies (including joint ventures);
6. Reviewing and considering the following w.r.t. appointment of auditors before recommending to the Board
  - a. qualifications and experience of the individual/firm proposed to be considered for appointment as auditor;
  - b. whether such qualifications and experience are commensurate with the size and requirements of the company; and
  - c. giving due regard to any order or pending proceeding relating to professional matters of conduct against the proposed auditor before the Institute of Chartered Accountants of India or any competent authority or any Court.
7. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor, fixing of audit fees and approving payments for any other service;

8. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
9. Reviewing and approving quarterly and yearly management representation letters to the statutory auditors;
10. Reviewing management letters/letters of internal control weaknesses issued by the statutory auditors and ensuring suitable follow-up thereon;
11. Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process;
12. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
13. Reviewing the appointment, removal and terms of remuneration of the Chief Internal Auditor of the Company;
14. Formulating in consultation with the Internal Auditor, the scope, functioning, periodicity and methodology for conducting the internal audit;
15. Evaluating the internal financial controls and risk management policies system of the Company;
16. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
17. Review of internal audit reports relating to internal control weaknesses and discuss with internal auditors any significant findings and follow-up thereon;
18. Reviewing the internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board;
19. Review and comment upon the report made by the statutory auditors (before submission to the Central Government) with regard to any offence involving fraud committed against the Company by its officers/employees;
20. Approval or any subsequent modification of transactions of the company with related parties;
21. Reviewing the statements of significant related party transactions submitted by the management;

22. Reviewing and scrutinizing the inter-corporate loans and investments;
23. Review of the Whistle Blower mechanism of the Company as per the Whistle Blower Policy and overseeing the functioning of the same;
24. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
25. Approving the auditors (appointed under the Companies Act, 2013) to render any service other than consulting and specialized services along with approval of payment to statutory auditors for the same;
26. Recommending to the Board of Directors, the appointment, remuneration and terms of appointment of Cost Auditor for the Company;
27. Review the cost audit report submitted by the cost auditor on audit of cost records, before submission to the Board for approval;
28. Appointing registered valuers and defining the terms and conditions for conducting the valuation of undertakings/ assets/net-worth/liabilities of the Company, wherever it is necessary. Reviewing the valuation report and follow-up thereon;
29. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter;
30. Looking into reasons for substantial defaults in payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any;
31. Review and approve, policy formulated for determination of material subsidiaries;
32. Review and approve, policy on materiality of related party transactions and also dealing with related party transactions;
33. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower;
34. Review compliance with provisions of Securities Exchange Board of India (Prevention of Insider Trading) Regulation, 2015 (including any amendment or modification from time to time) at least once

in a financial year and shall verify that the systems for internal controls for ensuring compliance to these Regulations, are adequate and are operating effectively.

35. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders; and
36. Any other matter referred to by the Board of Directors.

## **2. Nomination and Remuneration Committee:**

### Terms of reference:

1. Formulate the criteria for determining the qualifications, positive attributes and independence of a director;
2. Identify persons who are qualified to become directors in accordance with the criteria laid down and recommend to the Board their appointment and removal;
3. For every appointment of an independent director, the Nomination and Remuneration Committee shall 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. 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 commitment of the candidates
4. Review the performance of the Managing Director & Chief Executive Officer periodically;
5. Specify methodology for effective evaluation of performance of Board/committees of the Board and review the terms of appointment of Independent Directors on the basis of the report of performance evaluation;
6. Review and recommend to the Board, all elements of the remuneration, payable to the Directors of the Company;
7. Identify persons who are qualified and may be appointed as the Key Managerial Personnel and Senior Management in accordance with the criteria laid down and recommend to the Board their appointment and removal;
8. Recommend to the Board all remuneration, in whatever form, payable to Key Managerial Personnel and Senior Management;
9. Recommend to the Board a succession plan for the Board of Directors, Key Managerial Personnel & Senior Management and review the same periodically;
10. Review and recommend to the Board the Policy relating to the remuneration of the Directors, Key Managerial Personnel, and other employees;
11. Review and recommend to the Board the Board Diversity Policy;

12. Perform the role of Compensation Committee and to act as an administrator to any of the Employees' Stock Option Schemes (as may be notified from time to time); and
13. Undertake any other matters as the Board may decide from time to time.



### 3. Stakeholders Relationship Committee:

#### Terms of reference:

1. Resolving the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, etc;
2. Review of measures taken for effective exercise of voting rights by shareholders;
3. Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;
4. Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company;
5. To issue share certificates pursuant to duplicate/ remat/ renewal requests as and when received by the Company;
6. To review correspondence with the shareholders vis-à-vis legal cases and take appropriate decisions in that regard;
7. To authorise affixing of the Common Seal of the Company from time to time on any deed or other instrument requiring authentication by or on behalf of the Company; and
8. To provide direction to the management on implementation of ESG Strategy;
9. To provide oversight of the execution of the ESG Strategy and the Company's progress and performance on its long-term ESG commitments and targets.
10. Such other activities as the Board of Directors may determine from time to time.

#### **4. Risk Management Committee:**

##### Terms of reference:

1. To identify Company's risk appetite set for various elements of risk;
2. To formulate a detailed risk management policy which shall include:
  - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - (c) Business continuity plan.
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity
5. To ensure appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
6. To inform and make necessary recommendations to the Board regarding the nature and content of discussions held during the Committee meetings and take necessary actions thereof;
7. To review the appointment, removal, and terms of remuneration of the Chief Risk Officer (if any); and
8. To seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise as and when required.

## **5. Corporate Social Responsibility Committee:**

### Terms of reference:

1. Recommend the amount of expenditure to be incurred on the activities;
2. Monitor implementation and adherence to the CSR Policy of the Company from time to time;
3. Prepare a transparent monitoring mechanism for ensuring implementation of the projects/ programmes/activities proposed to be undertaken by the Company; and
4. Such other activities as the Board of Directors may determine from time to time.

## **6. Investment Committee**

### Terms of reference:

1. To review and evaluate proposals for acquisition opportunities that may be proposed by the management based on strategic plans of the Company as approved by the Board of Directors and make appropriate recommendations to the Board of Directors of the Company.
2. To review and consider strategic alliances/technological tie ups involving an outgo of Rs. 50 crores or more and make appropriate recommendations to the Board of Directors of the Company.
3. To review any proposal for capital expenditure involving an outgo of Rs. 350 crores or more and make appropriate recommendations to the Board of Directors of the Company.
4. To review any proposal for investment (including acquisition) involving an outgo of Rs. 50 crores or more and any proposal for divestment that may be proposed by Asian Paints International Private Limited, Singapore (APIPL), and provide necessary inputs to the Board of Directors of the Company including on the nature of funding for investment.
5. To review any proposal for investment to be made in existing domestic subsidiary and joint venture companies involving an outgo of Rs. 25 crores or more and any proposal for divestment and make appropriate recommendations to the Board of Directors of the Company.
6. To review the post transaction completion and integration processes, and review if the status is in line with the plans for acquisitions/strategical alliances/technological tie ups.