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**CHARTER OF HUMAN RESOURCE  
AND REMUNERATION  
(HR&R) COMMITTEE**

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# Charter of Human Resource and Remuneration (HR&R)Committee

## **1 Introduction:**

- 1.1 This HR&R Committee Charter (Charter) has been recommended by HR&R committee in its meeting held on \_\_\_\_\_2012 and duly approved by the Board of Directors (board) of ZIL Limited (ZIL) in its meeting held on \_\_\_\_\_2012. The HR&R Committee of the Board (the Committee) shall review and reassess this Charter from time to time and recommend proposed changes to the BOD for approval.
- 1.2 ZIL Board approved the formation of establishing the HR or Remuneration Committee with all responsibilities set forth in the regulations of listed companies. The board will also have the power to revoke these responsibilities and powers given to the committee

## **2 Composition and appointment:**

- 2.1 The Committee, a standing committee of the BOD, shall comprise of not less than three members, including the Chairman of the Committee. It shall comprise of a majority of non- executive directors, including preferably an independent director.
- 2.2 The BOD will appoint members as well as Chairman of the Committee.
- 2.3 CEO may be included as member of the committee but not as chairman of the committee. CEO if member of HR&R committee shall not participate in the proceedings of the committee on matters that directly relate to his/her performance and compensation.
- 2.4 The Chairman shall preside over meetings of the Committee, and will maintain regular liaison with CEO, and GM-HR.
- 2.5 The names of the members of the committee shall be disclosed in each annual report of the company.

## **3 Frequency of Meetings:**

- 3.1 The Committee shall meet at least twice in every financial year, with the authority to convene additional meetings, as circumstances require.
- 3.2 A meeting of the Committee shall also be held, if requested by the CEO.

## **4 Quorum for Meetings:**

- 4.1 The quorum for Committee meeting shall be at least two members.

- 4.2 If the Chairman is not available then any Committee member may be elected by the members present, to chair the meeting

## **5 Attendance at Meetings:**

- 5.1 CEO shall attend the meeting at least once in a year. However, the Committee may request the CEO and any other executive of the company to attend any specific meeting when the Committee deems it fit.
- 5.2 The number of HR&R committee meetings held during a year and attendance by each member director shall be disclosed in directors' report of the company.

## **6 Responsibilities:**

- 6.1 To review and recommend the following to the board:
- a. The human resource policies and any changes/improvements thereon, and
  - b. Selection, evaluation, compensation (including retirement benefits) & succession planning of the CEO, and
  - c. Selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit, and
  - d. Meeting fee and compensation for the Chairman, board and committee members.
- 6.2 Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

## **7 Secretary of the Committee and his/her Responsibilities:**

- 7.1 GM-HR shall be the secretary of the Committee who shall be responsible to assist the Committee in discharging its responsibilities under this charter. These requirements include but are not limited to:
- a. Scheduling meetings, preparing & circulating agendas, notices, and minutes of meetings of the Committee to all members within a fortnight. The secretary shall also be responsible for maintaining records of minutes, attendance and other activities of the Committee.
  - b. Ensuring that the CEO has attended the meeting once in a year.
  - c. Assisting the Committee in the efficient and effective discharge of its responsibilities including compliance with the requirements relating to the Committee specified in the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan.
  - d. Regularly following up and ensuring the implementation of the decisions made by the Committee.

- e. Providing necessary information to be disclosed in directors' report and annual report.

## **8 Fee for attending meeting:**

- 8.1 Meeting fee for all non-executive member directors shall be the amount as approved by the board from time to time.

## **9 Definitions:**

- 9.1 **General:** All terms and expressions used but not defined in this charter shall have the same meaning as assigned to them in the Companies Ordinance 1984 (Ordinance) and the Code of Corporate Governance 2012 (Code).
- 9.2 **Executive directors:** means paid executives from senior management including CEO [Derived from the clause i(d) of code of corporate governance]
- 9.3 **Independent director:** means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the listed company, its associated companies, subsidiaries, holding company or directors. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest.

Provided that without prejudice to the generality of this explanation no director shall be considered independent if one or more of the following circumstances exist:

- He/she has been an employee of the company, any of its subsidiaries or holding company within the last three years;
- He/she is or has been the CEO of subsidiaries, associated company, associated undertaking or holding company in the last three years;
- He/she has, or has had within the last three years, a material business relationship with the company either directly, or indirectly as a partner, major shareholder or director of a body that has such a relationship with the company:  
Explanation: The major shareholder means a person who, individually or in concert with his family or as part of a group, holds 10% or more shares having voting rights in the paid-up capital of the company;

- He/she has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the company apart from a director's fee or has participated in the company's share option or a performance-related pay scheme;
- He/she is a close relative of the company's promoters, directors or major shareholders:  
Explanation: close relative means spouse(s), lineal ascendants and descendants and siblings;
- He/she holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- He/she has served on the board for more than three consecutive terms from the date of his first appointment provided that such person shall be deemed "independent director" after a lapse of one term.

Any person nominated as a director under Sections 182 and 183 of the Ordinance, shall not be taken to be an "independent director" for the above-mentioned purposes. *[Derived from the explanation of clause i(b) of code of corporate governance]*