



NOMINATION AND REMUNERATION COMMITTEE POLICY

Preface

The Companies Act, 2013 require constitution of Nomination and Remuneration Committee by the Board of Directors and also laying down a policy, *inter - alia* , in the matter of selection, appointment and remuneration of Directors including Independent Directors, Key Managerial Personnel and other employees.

The committee should comprise of at least 3 Directors, all of whom to be non-executive and at least 50% of the committee shall consist of Independent Directors. The Chairman of the committee shall also be an Independent Director.

The monetary limits wherever mentioned in this policy shall be as per last audited financial statements.

Role of the Committee

- ❖ The scope and function of Nomination and Remuneration Committee mandated under the Companies Act are :
 - Formulate criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for the directors, Key Managerial Personnel and other employees;
 - Formulate criteria for evaluation of Independent Directors and the Board;
 - Devising policy on Board diversity;
 - Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.
- ❖ The committee shall meet as often as required to comply with the aforesaid functions but such meetings shall be at least once in a financial year.
- ❖ The Committee shall lay down its own rules regarding quorum and such quorum for the meeting shall be presence of at least majority of the members.

- ❖ The resolutions shall be considered adopted when majority of the committee members present and vote in favour of the resolution.
- ❖ The committee recognizes that it is accountable for executive remuneration as the said function has been delegated to them by the Board.
- ❖ The committee supports the Company's strategy and overall remuneration policy. It determines the specific remuneration package, service contracts, pension arrangements for both Executive Directors and senior managerial personnel.
- ❖ The committee ensures that the remuneration policy is competitive, appropriate to business environment, commensurate with size and nature of business, based on performance evaluation and in long term interest of all the stakeholders.
- ❖ The policy, laid down by the Board and adhered to by the committee, is to attract, motivate and retain individuals of requisite caliber and knowledge required to carry on the business of the Company.

Company policy on appointment of Executive Directors and Non-Executive Directors

- ❖ Managing Director or Whole time Directors' appointment and remuneration is subject to approval by members in general meeting.
- ❖ All appointments of executive directors to satisfy the conditions laid down under Section 196 and Part 1 of Schedule V of the Companies Act, 2013.
- ❖ The appointments of Independent Directors to satisfy the conditions laid down under Section 149 of the Companies Act, 2013 and/or Listing Regulations as may be amended from time to time
- ❖ The Directors shall be governed by code of conduct stipulated for Independent Directors under Schedule IV of the Companies Act, 2013 and /or Listing Regulations as may be amended from time to time.
- ❖ Principally all Directors and especially Independent Directors to possess professional expertise in variety of fields including finance for being prima facie eligible for consideration for the post of the director.
- ❖ The remuneration to directors, both Managing Director/Whole time Directors and Non- executive Directors as per Section 197 of the Companies Act, 2013, not to exceed 11% of the net profits computed in the manner stipulated under Section 198 under the Companies Act, 2013.

- ❖ The maximum remuneration to Managing Director/Whole time director individually not to exceed 5% of the net profits computed in the manner stipulated under the Companies Act,, 2013.
- ❖ The remuneration in the form of commission or otherwise payable to Non-executive Directors not to exceed 3% of the net profits if there are no Managing Director and 1% if there is Managing or Whole time Director.
- ❖ The remuneration to directors, both Managing Director/Whole time Directors and Non- executive Directors in case the Company has no profits or profits are inadequate should be in accordance with the provisions of Schedule V read with section 197 of the Companies Act 2013.
- ❖ Apart from the remuneration as above, all directors other than Executive Directors are eligible for director sitting fees for attending the Board meeting and also reimbursement of expenses, if any, incurred for attending the board meeting.
- ❖ The Executive Directors apart from remuneration are eligible for reimbursement of all expenses relating to travel, conveyance, business promotion incurred by them for discharge of official duties.
- ❖ **Remuneration policy** shall include fixation of remuneration and annual increments based on performance, knowledge, position, target achievement, company's business plans, market environment and the remuneration is segregated into monthly fixed payments, annual payments, contribution to social and retirement benefits, reimbursement of expenses incurred for discharge of official duties, annual bonus, welfare schemes like insurance on health for self and family, accident benefits, tying up with agencies for managing retirement benefits such as gratuity, pension schemes, etc.
- ❖ The committee in its implementation of policy shall consider variety of factors like competitive market for the top executives in the specific sector where company is engaged in and broader industrial/ finance corporations. The need to retain high caliber executives for sustained operations of the company and leading the company to higher growth will always be the top consideration.
- ❖ The committee shall also factor in the past records of the employee, consistency in performing, the quality and quantity of output, application of mind and knowledge, tenure of employee in the Company etc. in a composite manner rather than providing undue weightage to only one element.

Process of selection of Directors and Key Managerial Personnel

- ❖ The committee may decide selection of the personnel from external source or within the company or group or recommendation by other Directors.
- ❖ The directors may also be selected from the proposed data bank of Independent Directors to be maintained by the government.
- ❖ The committee shall ensure that the personnel selected as Board Member or Key Managerial Personnel or other senior personnel of the company do possess requisite qualifications, skills, experience and knowledge in the relevant fields.
- ❖ The committee shall draw out the job description of the proposed candidate.
- ❖ The positions to be filled in for the post of Independent Directors shall be thoroughly vetted so as to ensure the proposed candidate possesses all the attributes of an Independent Director to function in the total interest of the Company and in compliance with relevant provisions of the statutes, capable of exercising the opinion on all matters independently without being swayed by situation, personnel, vested interest, etc.

Board Diversity

- ❖ The committee shall ensure that the Company has a board of directors with optimum combination of executive, Non-executive, Independent Directors with at least one woman Director and not less than fifty percent of the board of directors shall comprise of Non-executive Directors.
- ❖ The committee shall ensure the Board of directors comprise of eminent and capable personnel from different fields like technical, marketing, commercial, finance, legal who can contribute to the growth of the company.
- ❖ The committee shall not be biased by gender, religion or caste.

Selection of Executive Directors and Key Managerial Personnel

- ❖ The management of the company shall inform the committee in a timely manner of the need for Executive Director, Key Managerial Personnel and Senior Managerial Personnel especially if any vacancy arises thereof and shall also provide their suggestion on the type of candidate required to be selected, taking into consideration the qualifications, experience, personal traits, he remuneration package that could be offered and the time factor for completing the selection process.
- ❖ The senior management shall briefly apprise the committee of the requirement of senior managerial personnel even if there is no vacancy but as a matter of long term planning for the growth of the company.

- ❖ The committee shall evaluate such request from the management as above and form an independent judgment on the need for selecting the personnel and nature and type of the personnel best suited to fill in the vacancy.
- ❖ All such requests to the committee shall be forwarded through Company Secretary of the Company.

Remuneration of Directors, Key Managerial Personnel and other employees

- ❖ The committee shall consider the following while finalizing remuneration of Directors, Key Managerial Personnel and other employees
 - Job description;
 - Qualifications and experience to shoulder higher responsibility;
 - Current remuneration;
 - Industry standards;
 - Relative Remuneration of category of personnel in the same grade;
 - The value of the personnel for the present and future plans of the Company;
 - The financial position of the Company;
 - The long-term effect of remuneration being finalized;
 - The fixed and variable component of the remuneration;
 - The possibility of linkage of remuneration with concrete achievement of parameters as per Company plans;
 - The timing of payment of performance linked component of the salary whether annual, half yearly or quarterly.
- ❖ As far employees other than Directors and Key Managerial Personnel are concerned, the committee may only lay down the broad policies to be followed by the HR department.

Training

- ❖ The committee shall ensure that the Company do provide requisite induction to the Independent Directors to facilitate them to familiarize with the Company, their culture, the nature of business, the strength and the weakness of the Company in specific fields, the process of operation.

- ❖ The committee shall ensure that the new Independent Directors have a meeting with senior officials of the Company to have first- hand information on the operations of the Company.

Performance Evaluation

- ❖ The committee shall initiate process of performance evaluation of Non-executive Directors including Independent Directors at least once in a Financial Year.
- ❖ The evaluation shall be in an objective manner.
- ❖ The evaluation shall include the knowledge and proficiency of the Director, the positive and negative traits, attendance of the board and committee meetings, effective participation in the meetings.