



Nomination and Remuneration Committee Policy

Preface

The Companies Act, 2013 and Clause 49 dealing with Corporate Governance under the Listing Agreement calls for appointment of a Nomination and Remuneration Committee by the board of directors and also laying down a policy in the matter of selection, appointment and remuneration of senior management personnel, directors including independent directors.

Commencement

This policy is applicable with effect from financial year 2014-15.

Legal Provisions

Section 178 of the Companies Act, 2013 for every listed company and Companies having Paid Up Capital of Rs.10 crore or more or turnover of Rs.100 crore or more or aggregate outstanding loans or borrowings or deposits exceeding Rs.50 crore or more shall constitute a Nomination and Remuneration Committee of the Board.

The monetary limits as above shall be as per last audited financial statements.

Clause 49 of the Listing Agreement also elaborates the need for such a committee comprising of at least 3 directors, all of whom to be non executive and at least 50% of the committee shall be independent directors. The Chairman of the committee shall also be an independent director.

Role of the Committee

- ❖ The scope of function of Nomination and Remuneration Committee mandated under Companies Act and Listing Agreement are
 - Formulate the 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 often as required in order to comply with the aforesaid functions but such meetings shall be at least twice a 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's function is it 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 management 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

- ❖ Whole Time Director or Managing Director appointment and remuneration is subject to approval by members in general Meeting.
- ❖ All appointments of executive directors to satisfy the conditions laid down u/s. 196 and Part 1 of Schedule V of the Companies Act, 2013.
- ❖ The appointments of independent directors to satisfy the conditions laid down u/s.149 of the Companies Act, 2013 which primarily includes the independent directors being not related to the promoters, not receiving and pecuniary benefits from the company or its holding, subsidiary or associate company and so also his / her relatives, not holding any key managerial personnel or not being associated with firm of auditors or legal or consultancy firm within the stipulated limits of turnover or holding with relatives not more than 2% of the total voting power in the company.
- ❖ The directors shall be governed by code of conduct stipulated for independent directors under Schedule IV of the Companies Act, 2013
- ❖ 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.
- ❖ 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 like 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 has always been 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 for only one element.

Process of selection of Directors and Key Management 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 Management 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 do have a board with proper mix of executive, non executive and independent 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.

Section of Executive Directors and Key Management Personnel

- ❖ The management of the company shall inform the committee in a timely manner of the need for Executive Director, Key Management Personnel and Senior Management 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, the 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 judgement 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 Management Personnel and other Employees

- ❖ The committee shall consider the following while finalizing remuneration of directors, key management 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 management 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
- ❖ The Chairman based on the recommendation of the committee shall have a private meeting with each of the directors for conveying the evaluation made on the director .

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