

## **Nomination and Remuneration Policy**

The Board of Directors of India Nippon Electricals Limited (INEL) constituted the "Nomination and Remuneration Committee at the meeting held on 6<sup>th</sup> August 2014 with immediate effect, consisting of two independent Directors, one of whom being the Chairman of the committee and the Chairman of the Board as members.

### **1. Objective**

The Nomination and Remuneration Committee and this policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 of Listing Obligations and Disclosure Requirements Regulations 2015. The key objective of the Committee would be:

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- To evaluate the performance of the members of the Board.
- To recommend to the Board policy on remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- To devise a policy on Board diversity

### **2. Definitions**

**Act** means the Companies Act, 2013 and Rules framed thereunder as amended from time to time.

**Board** means Board of Directors of the Company

**Chairman** means the Chairman of the Board of Directors

**Directors** mean Directors of the Company

**Key Managerial Personnel** means

- a. The Managing Director or the Manager or Chief Executive Officer
- b. Whole-time Director
- c. Chief Financial Officer
- d. Company Secretary
- e. Such other officer as may be prescribed

**Senior Management** means personnel of the Company who are members of the core management team excluding the Board of Directors including functional heads.

### **3. Role of Committee**

- a) Determining the appropriate size, diversity and composition of the Board.
- b) Setting a formal procedure for selecting new Directors for appointment to the Board.
- c) Ensuring that on appointment, Independent Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act.
- d) Lay down criteria for evaluating the performance of the Board, the Committees of Board and the individual Directors.
- e) Reviewing the functioning of evaluation mechanism specified in (d) above.

- f) Identifying and recommending Directors who are to be put forward for retirement by rotation.
- g) To consider and determine the remuneration policy for the directors, KMP and Senior Management.
- h) Delegating any of its powers to one or more of its members or other members of the Board of Directors

#### **4. Policy for appointment and removal of Director, KMP and Senior Management**

##### **4.1 Appointment criteria and qualifications**

- The committee shall identify and ascertain the integrity, qualification, expertise, positive attributes, independence and experience of the person for appointment as Director and recommend to the Board his/her appointment.
- The person appointed as KMP or at Senior Management level should possess adequate qualification, expertise and experience for the position he/she is considered for appointment.
- The company shall not appoint or continue the employment of any person as Whole-time Director/ Managing Director, who has attained the age of seventy years. However the term of the person holding such position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution with suitable explanatory statement justifying such extension.

##### **4.2 Term and Tenure**

###### **a. Managing Director / Whole-time Director:**

The Company shall appoint or re-appoint its Managing Director / Whole-time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

###### **b. Independent Director:**

- An independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution in the general meeting of the Company and disclosure of such appointment in the Board's report.
- No independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an independent Director. Provided that such independent Director shall not, during the said period of three years, be appointed in or be associated with the Company including its holding and / or subsidiary company in any other capacity, whether directly or indirectly.
- At the time of appointment of Independent Director it should be ensured that the number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.

##### **4.3 Evaluation**

The committee shall lay down the criteria for effective evaluation of the performance of the Board, its Committees and individual directors as given in the annexure taking into account the criteria as enunciated in the guidance note on Board Evaluation issued by the appropriate authorities. The evaluation shall be carried out at least once in every financial year and the committee shall review the process and compliance.

The committee authorises the Chairman / Managing Director to evaluate the performance of the KMP and Senior Management Personnel at regular intervals applying suitable criteria as per the industry practice.

#### **4.4 Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules, regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director subject to the provisions and compliance of the Act, rules and regulations. The committee authorises the Chairman / Managing Director to remove any of the KMP or Senior Management Personnel.

#### **4.5 Retirement**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

### **5. Policy relating to the Remuneration for the Whole-time / Managing Director, KMP and Senior Management Personnel**

#### **5.1 General:**

- a) The remuneration / compensation / commission etc. to the whole-time / Managing Director, will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior / post approval of the shareholders of the Company and Central Government, wherever required.
- b) The remuneration and other benefits to the KMP and Senior Management Personnel, will be determined by the Managing Director as may be considered reasonable and sufficient to attract, retain and motivate the subject personnel.
- c) The remuneration shall involve a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.
- d) The remuneration and commission to be paid to the Whole-time / Managing Director shall be in accordance with the percentage / slab / conditions, if any, laid down in the Articles of Association of the company and as per the provisions of the Act.
- e) Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time / Managing Director.
- f) Where any insurance is taken by the Company on behalf of its Whole-time / Managing Director, CEO, CFO and the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration, besides other liabilities as may be decided by the Board.

#### **5.2 Remuneration to Whole-time / Managing Director, KMP and Senior Management Personnel:**

##### **a) Fixed Pay**

The breakup of the pay scale and quantum of perquisites including employer's contribution to PF, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Chairman / Managing Director for the KMP and Senior Management Personnel.

The Whole-time / Managing Director shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The remuneration of the Whole-time / Managing Director shall be approved by the Board

on the recommendation of the Committee subject to approval by the shareholders and Central Government, wherever required.

b) **Minimum remuneration:**

If, in any financial year, the company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time / Managing Director in accordance with the provisions of Schedule V of the Act or such amount as may be approved by the shareholders and with the previous approval of the Central Government wherever required.

c) **Excess remuneration:**

If any Whole-time / Managing Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without prior approval of the Central Government, where required, he / she shall refund such sums to the Company as provided in the Companies Act from time to time.

### **5.3 Remuneration to Non – Executive / Independent Directors:**

a) **Remuneration / Commission:**

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

b) **Sitting Fees:**

The Non-Executive / Independent Director may receive remuneration by way of fees for attending meetings of the Board or Committee thereof as decided collectively by the members of the Board of Directors. The amount of such fees shall not exceed Rs. One lac per meeting of the Board or Committee or such other amount as may be prescribed by the Central Government from time to time.

c) **Commission:**

Commission may be paid upto a sum not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act , subject to the approval of shareholders in the manner as required.

d) **Stock Options:**

Independent Directors shall not be entitled to any stock option of the Company.

### **6. Diversity of Board of Directors**

The committee authorises the Chairman of the Board of Directors to decide the diversity and size of the Board including (a) optimum combination of executive and non-executive directors, (b) woman directors, (c) number of independent directors and (d) succession plan for appointment to the Board taking into account the provisions of the Act.

### **7. Constitution of the Committee**

- The Committee shall consist of a minimum of 3 non-executive Directors, one of whom shall be the Chairman of the Board of the Company with a majority being independent Directors.
- The Chairman of the Committee shall be an independent Director
- Minimum two members shall constitute a quorum for the Committee meeting.
- Membership of the Committee shall be disclosed in the Annual Report
- Chairman of the committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholders queries.

### **8. Meetings of the Committee**

- a) The meetings of the Committee shall be held at such regular intervals as may be required.
- b) The committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.
- c) A member of the Committee is not entitled to be present when his or her own remuneration or performance is discussed / evaluated.
- d) The Company Secretary of the Company shall act as Secretary of the Committee.

- e) Matters arising for determination at the Committee shall be decided by a majority of votes of members present and voting. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

**9. Minutes of the meeting**

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.



**Annexure to the Nomination and Remuneration Policy**

**A. Criteria of evaluation of the Board as a whole**

**a. Structure of the Board**

- i. -Competency of directors
- ii -Experience of directors:
- iii -Mix of qualifications:
- iv -Diversity in Board under various parameters:
- v -Appointment to the Board:

**b. Meetings of the Board**

- i -Regularity of Meetings:
- ii -Frequency:
- iii -Logistics:
- iv -Agenda:
- v -Discussions and dissent:
- vi -Recording of minutes:
- vii -Dissemination of information:

**C Functions of the Board**

- i -Role and responsibilities of the Board:
- ii -Strategy and performance evaluation:
- iii -Governance and compliance:
- iv -Evaluation of risks:
- v -Grievance redressal for Investors:
- vi -Conflict of Interest:
- vii -Stakeholder value and responsibility:
- viii -Corporate Culture and Values
- ix -Review of Board evaluation:
- x -Facilitation of Independent directors:

**d Board and management:**

- i -Evaluation of performance of the management and feedback:
- ii -Independence of the management from the Board:
- iii -Access of the management to the Board and Board access to the management:
- iv -Secretarial support:
- v -Fund availability:
- vi -Succession plan:

**B. Criteria of evaluation of the Committees of the Board**

- a. -Mandate and composition:
- b. -Effectiveness of the Committee:
- c. -Structure of the Committee and meetings:
- d. -Independence of the Committee from the Board:
- e. -Contribution to decisions of the Board:

**C. Criteria of evaluation of Independent Directors**

- a. Knowledge and Competency - of the company/industry etc.
- b. Fulfilment of functions - As assigned by the Board/Law
- c. Ability to function as a team
- d. Initiative
- e. Availability and Attendance
- f. Commitment
- g. Contribution in the Board meetings
- h. Integrity - In terms of interest disclosures, maintenance of confidentiality etc.
- i. Independence from the Company & Other Directors
- j. Independent view and free expression of opinion

**D. Criteria of evaluation of Non- Independent Directors**

- a. Knowledge and Competency - of the company/industry etc.
- b. Fulfilment of functions - As assigned by the Board/Law
- c. Ability to function as a team
- d. Initiative
- e. Availability and Attendance
- f. Commitment
- g. Contribution in the Board meetings
- h. Integrity - In terms of interest disclosures, maintenance of confidentiality etc.
- i. Effectiveness of leadership and ability to steer the meetings
- j. Impartiality
- k. Commitment
- l. Ability to keep shareholders' interests in mind



*As approved by the Board of Directors at their meeting held on 27<sup>th</sup> March 2018*