



KIRLOSKAR ELECTRIC COMPANY LIMITED

NOMINATION AND REMUNERATION POLICY

### **Introduction:**

In line with the Company's philosophy to ensure equitable remuneration to all the directors, key managerial personnel (KMP) and employees of the Company, the nomination and remuneration policy of the Company has been framed. This policy is designed to meet the requirements prescribed under the provisions of Section 178 of the Companies Act, 2013 read with Regulation 19 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015.

### **Objective and purpose of the Policy:**

1. To lay down criteria and terms and conditions including qualifications and positive attributes for identifying persons who are qualified to become directors (executive and non-executive/ Independent) and persons who may be appointed in senior management and key managerial positions and to determine their remuneration.
2. To determine remuneration of Directors, Key Managerial Personnel and other Employees based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies.
3. To carry out evaluation of the performance of Board, its committees, directors, as well as key managerial personnel.
4. To devise a policy on diversity of board of directors.
5. To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
6. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

### **Composition of the committee:**

Mr. S.N. Agarwal	- Chairman
Mr. Anil Kumar Bhandari	- Member
Mr. Sarosh J Ghandy	- Member
Mrs. Meena Kirloskar	- Member

### **Definitions:**

#### **1. Key Managerial Personnel:**

(KMP) Key Managerial Personnel means—

- (i) Chief Executive Officer or the Managing Director or the manager;
- (ii) Company secretary,
- (iii) Whole-time director;

(iv) Chief Financial Officer and

(v) Such other officer not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and

(vi) such other officer as may be prescribed

**2. Nomination and Remuneration Committee or the Committee:**

Under this policy, it shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and the Rules framed thereunder read with Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

**3. Remuneration:**

It means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income tax Act, 1961.

**4. Independent Director:**

Independent Director shall mean a director referred to in Section 149 (6) of the Companies Act, 2013.

**5. Other employees:**

It shall mean all employees other than the Directors and KMPs.

**6. Policy or This Policy:**

It shall mean "Nomination and Remuneration Policy".

**7. Senior Management:**

Senior Management shall mean officers/personnel of the listed entity who are in its core management team excluding Board of Directors and normally this shall include all members of management one level below the chief executive officer/managing director/whole-time director /manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include Company Secretary and Chief Financial Officer.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

**Applicability:**

This Policy shall apply to all Directors, KMPs, and other employees of the Company.

## **General Terms:**

This Policy is divided in three parts:

Part – A: covers matters to be dealt by the committee.

Part – B: covers appointments and nominations.

Part – C: covers remuneration and perquisites etc.

## **PART – A**

### **Matters to be dealt by the nomination and remuneration committee**

The committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Formulation of criteria for evaluation of performance of independent directors and the board of directors
- devising a policy on diversity of board of directors
- Identify persons who are qualified to become director and persons who may be appointed as key managerial personnel in accordance with the criteria laid down in this policy.
- Recommend to the Board, appointment and removal of director, KMP.
- Recommend to the Board, regarding whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors

## **PART – B**

### **Policy for appointment and removal of director and key managerial personnel**

#### **• Appointment criteria and qualification:**

1. The committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as director, KMP level and recommend to the Board his / her appointment.
2. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
3. The Company shall not appoint or continue the employment of any person as whole-time director who has attained the age of seventy years and shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five years. Provided that the term of the person holding the position as Director may be extended

beyond the age of said years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond said years.

4. The Committee shall make recommendations to the Board concerning any matters relating to the continuation in office of any director at any time including the suspension or termination of service of a director subject to the provisions of law and the respective service contract.

- **Term / Tenure:**

1. **Managing Director/Whole-time Director/Manager (Managerial Person):**

The Company shall appoint or reappoint any person as its Executive Chairman, Managing Director, Executive Director or Managerial Person as per section 196, 197 or any other applicable provisions of the Companies Act 2013 read with Schedule- V for a term not exceeding five years at a time. No reappointment shall be made earlier than one year before the expiry of term.

2. **Independent director:**

- An independent director shall hold office for a term not exceeding five consecutive years on the board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and by disclosure of such appointment in the Board's Report.
- The appointment including the terms and conditions of appointment of Independent Director shall be recommended by the Committee and approved by the Board of Directors of the Company subject to the approval of the Shareholders in the General Meeting.
- 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 an independent director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- At the time of appointment of independent director it should be ensured that 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/ Managing Director of a listed Company.

3. The Terms/ Tenure of the KMP and other employees shall be as per the Company's prevailing policy

- **Evaluation:**

The committee shall carry out evaluation of performance of every director, KMP at regular interval (yearly).

- **Removal:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations, the committee may recommend, to the board with reasons recorded in writing, removal of a director, KMP or senior management personnel subject to the provisions and compliance of the said Act, rules and regulations and other matters.

- **Retirement:**

The Directors, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 along with the Rules framed thereunder and the prevailing policy of the Company. The Board will have the discretion to retain the director, KMP or the Senior Management Personnel, in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

## **PART – C**

### **Policy relating to the remuneration for the Directors, Key managerial personnel and other Employees:**

- **General Terms:**

1. The Committee will recommend to the Board the policy on remuneration payable to Directors, KMP and Other employees for approval. While recommending the policy the Committee shall ensure that, the level and composition of remuneration/Compensation/Commission etc. to be paid is reasonable and sufficient to attract, retain and motivate them in the company. The said remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and central government, wherever required.
2. The remuneration and commission to be paid shall be in accordance with the percentage / slabs / conditions laid down in the articles of association of the Company and as per the provisions of the Companies Act 2013, and the rules made there under or any other enactment for the time being in force as also by Company policy.
3. Increments/ Revisions 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 Managerial Persons.
4. Where any insurance is taken by the Company on behalf of its whole-time director, Chief Executive Officer, Chief Financial Officer, 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.

5. The Policy shall also ensure that the relationship of remuneration to the performance should be clear and should encourage meeting of appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive / performance related pay reflecting achievement of short and long-term performance objectives appropriate to the working of the company and meeting its goals.

- **Remuneration to Whole-time / Executive / Managing Director / Key Managerial Personnel:**

1. **Fixed pay:**

The whole-time director and KMP shall be eligible for a monthly remuneration as may be approved by the board on the recommendation of the committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the board on the recommendation of the committee and approved by the shareholders and central government, wherever required.

2. **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 director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the central government.

3. **Provisions for excess remuneration:**

If any whole-time director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the approval of shareholders of the Company, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless approved by the Company by special resolution within two years from the date the sum becomes refundable.

- **Remuneration to non- executive / independent director:**

- 1) **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 Companies Act, 2013 and the rules made there under or any other enactment for the time being in force as also by Company policy.

**2) Sitting Fees:**

The non - executive / independent director may receive remuneration by way of fees for attending meetings of Board or committee thereof of the Company.

Provided that the amount of such fees shall be such as determined by the Board of Directors of the Company from time to time and shall be within the maximum permissible limit as defined under the Companies Act, 2013 and the Rules framed thereunder.

**3) Commission:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit as fixed under various statutes.

**4) Stock Options:**

An independent director shall not be entitled to any stock option of the Company.

• **Remuneration to other Employees:**

- 1) The Remuneration to be paid to other employees shall be based upon the role and position of the individual employee, including professional experience, responsibility, job complexity and market conditions, qualification, and seniority.
- 2) The structure of remuneration for other employees has been designed in the prevailing policy of the Company and implementation of the same is to be ensured by the Board.
- 3) The annual increments to the remuneration paid to the other employees shall be based on the appraisal carried out by the respective Head of Departments (HODs) of various departments.
- 4) The various remuneration components, basic salary, allowances, perquisites etc. may be combined to ensure an appropriate and balanced remuneration package.

**DISCLOSURE OF THIS POLICY:**

The Nomination & Remuneration policy shall be placed on the website of the company and the salient features of this policy and changes therein, if any, along with the web address of the policy, shall be disclosed in the Board's report as required under the Companies Act, 2013.

**DEVIATIONS FROM THIS POLICY:**

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.



**REVIEW AND AMENDMENT:**

The Nomination and Remuneration Committee or the Board may review the Policy as and when it deems necessary. This Policy may be amended or substituted by the Nomination and Remuneration Committee or by the Board as and when required and also where there is any statutory changes necessitating the change in the policy.

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