

## MUNJAL SHOWA LTD

### NOMINATION AND REMUNERATION POLICY

In order to align with the provisions of the Companies Act, 2013 and the amended Listing Agreement from time to time, the Board of Directors of Munjal Showa Limited (“the Company”) re-constituted the “Nomination and Remuneration Committee” at the meeting held on May 23, 2014 with immediate effect, consisting of four (4) Non-Executive Directors of which majority are Independent Directors.

#### 1. Preamble

The Nomination and Remuneration Policy of Munjal Showa Limited (the “Company”) is designed to attract, motivate, improve productivity and retain manpower by creating a congenial work environment, encouraging initiatives, personal growth, team work and inculcating a sense of belongingness and involvement, besides offering appropriate remuneration packages and superannuation benefits.

#### 2. Objective

2.1 The policy provides a framework for remuneration paid to the members of the Board of Directors (“Board”), Key Managerial Personnel (“KMP”), Senior Management Personnel (“SMP”) and other employees.

2.2 To make recommendations to the Board for the appointment, removal and performance evaluation of directors.

2.3 To maintain the level and composition of remuneration so that it is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.

2.4 To ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

#### 3. Effective Date of the Policy

This policy shall be effective from the date of approval by the Board or any amendment made thereof from time to time.

#### 4. Regulatory provisions under which the policy has been formulated:

4.1 Section 178 of the Companies Act, 2013

4.2 Clause 49 of the Listing Agreement

## 5. Definitions

5.1 Act means the Companies Act 2013 and Rules framed there under, as amended from time to time.

5.2 Board or Board of Directors in relation to a company means the collective body of the directors of the Company

5.3 Company means Munjal Showa Limited

5.4 Director means directors appointed to the Board of the Company

5.5 Independent Director means a director referred to in Section 149 (6) of the Companies Act, 2013

5.6 Key Managerial Personnel in relation to a company means

5.6.1 Chief Executive Officer or the Managing Director and Joint Managing Director

5.6.2 Whole time Director

5.6.3 Chief Financial Officer

5.6.4 Company Secretary

5.6.5 Such other officer as may be prescribed

5.7 Nomination and Remuneration Committee or Committee 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 Clause 49 of the Listing Agreement

5.8 Policy means Nomination and Remuneration Policy

5.9 Remuneration 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

5.10 Senior Management means personnel of the Company who are members of its core management team excluding the Board of Directors including Functional Heads.

## 6. Interpretation of the Policy

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013, Listing Agreement and/or any other SEBI Regulation(s) as amended from time to time

## 7. Role of Committee

7.1 Formulating framework or policy for remuneration, terms of employment including service contracts, policy for pension arrangements and reviewing it on periodic basis.

7.2 Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board, relating to the remuneration for the Director, key managerial personnel and other employees.

7.3 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management in order to maintain a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

7.4 To retain, motivate and promote talent and to ensure succession planning for long term sustainability of talented managerial persons and competitive advantage.

7.5 Formulating terms for cessation of employment and ensure that any payments made are fair to the individual and the Company.

7.6 To create appropriate performance benchmarks in order to maintain a justified relationship between performance and remuneration.

### 7.7 Term /Tenure

#### 7.7.1 Managing Director /Whole time Director, etc:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive 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.

#### 7.7.2 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 by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, 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 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.

### 7.8 Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and SMP at regular interval (yearly or as deemed fit).

The generic criteria for evaluation can be as follows:

- Profitability
- New Alliances / New Launches
- CAGR of the organization
- Business volumes
- Company turnover
- Customers feedback (Internal and External)
- Shareholders interest

#### 7.9 Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under and Articles of Association of the Company, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director and SMP subject to the provisions and compliance of the said Act, rules and regulations.

#### 7.10 Retirement

The Director, KMP and SMP 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, and SMP in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

#### 7-A. APPOINTMENT OF DIRECTOR AND SENIOR MANAGEMENT

7-A.1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and Senior Management level and recommend to the Board his / her appointment

7-A.2. Appointment of Independent Directors is subject compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV and rules thereunder

7-A.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. Provided that the term of the person holding this position may be extended beyond the age of seventy 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 seventy years

#### 8. Constitution of Committee

The Remuneration and Compensation Committee of the Board of Directors shall be named as Nomination and Remuneration Committee (NRC). Members of the Committee shall be appointed by the Board and shall comprise of three or more non-executive Directors out of which not less than one-half shall be independent directors.

## 8.1 Composition of Committee

### 8.1.1 Members

8.1.1.1 The Committee shall comprise at least three (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent

8.1.1.2 The Board shall reconstitute the Committee as and when required to comply with the provisions of the Companies Act, 2013 and applicable statutory requirement.

### 8.1.2 Chairperson

8.1.2.1 Chairman of the Committee shall be an Independent Director

8.1.2.2 Chairperson of the Company may be appointed as a member of the Committee but shall not Chair the Committee.

8.1.2.3 In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

8.1.2.4 Chairman of the Nomination and Remuneration Committee shall be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

## 8.2 Frequency of Meetings

The meeting of the Committee shall be held at such regular intervals as may be required.

## 8.3 Quorum

Minimum two (2) members shall constitute a quorum for the Committee meeting.

## 8.4 Minutes of Committee Meeting

Proceedings of all meetings must be minutes 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.

## 8.5 Voting

8.5.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

8.5.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

## 9. Committee Members' Interest

9.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

9.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

## 10. Applicability of Policy:

10.1 Directors (Executive and Non Executive)

10.2 Key Managerial Personnel

10.3 Senior Management Personnel

10.4 Other Employees as may be identified by the Committees from time to time

Any departure from the policy can be undertaken with the approval of the Board of Directors.

## 11. Remuneration

Total remuneration comprises of:

11.1 A fixed base salary –

Set at a level aimed at attracting and retaining executives with professional and personal competence, showing good performance towards achieving Company goals.

11.2 Variable Pay/ Performance Linked Incentive –

A performance appraisal is carried out annually and promotions /increments/ rewards are decided by CMD based on the appraisal and recommendation of the concerned Whole Time Director, where applicable.

11.3 Perquisites /Allowances –

In the form of house rent allowance / accommodation, furnishing allowance, reimbursement of medical expenses, conveyance, telephone, LTA etc.

11.4 Retirement Benefits –

Contribution to PF, superannuation, gratuity etc. as per Company Rules

11.5 Severance payments –

In accordance with terms of employment and applicable statutory requirements, if any

11.6 Remuneration to Managing / Whole time / Executive / Managing Director and SMP –

The Remuneration / Compensation / Commission etc. to be paid to Director / Managing Director shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

11.7 Remuneration to Non – Executive / Independent Director –

The Non – Executive Independent Director may receive remuneration / compensation / commission as per the provisions of Companies Act, 2013.

11.8 Sitting Fees –

The amount of sitting fees shall be subject to ceiling / limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force as may be decided by the Board of Directors of the Company from time to time.

#### 11.9 ESOP

Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company. Only such employees of the Company and its subsidiaries as approved by the Nomination and Remuneration Committee will be granted ESOPs.

#### 12. Policy for Appointment and Removal of Director and SMP

12.1 Appointment of Directors and senior management personnel and cessation of their service are subject to approval of the NRC and Board of Directors.

12.2 Remuneration of CFO and other senior management personnel is decided by the Chairman & Managing Director (CMD) on the recommendation of the Whole Time Director concerned, where applicable, broadly based on the Remuneration Policy in respect of Whole Time Directors.

#### 13. Review and Amendment

13.1 The NRC or the Board may review the Policy as and when it deems necessary.

13.2 The NRC may issue the guidelines, procedures, formats, reporting mechanism and manual in supplement and better implementation to this Policy, if it thinks necessary.

13.3 This Policy may be amended or substituted by the Board as and when required.

13.4 This Policy shall be hosted on the Company's website.

13.5 The right to interpret this Policy vests in the Board of Directors of the Company.

#### 14. Disclosures

Appropriate disclosures shall be made in the Board's Report of the Company.

#### 15. Deviations from the 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.