

## **NOMINATION AND REMUNERATION POLICY**

Our policy on the appointment and remuneration of directors and key managerial personnel provides a framework based on which our human resources management aligns their recruitment plans for the strategic growth of the Company. The nomination and remuneration policy is provided herewith pursuant to Section 178(4) of the Companies Act, 2013 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirement), Regulations, 2015. The link of the policy available on our website is mentioned below:

<http://www.munjalshowa.net/wp-content/uploads/2015/05/Nomination-And-Remuneration-Policy1.pdf>

### **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**

The Objective and purpose of this policy are:

- 2.1 To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a director (executive/non-executive/independent) of the Company ("Director"); and
- 2.2 To recommend policy relating to the remuneration of the Directors, KMP and Senior Management to the Board of Directors of the Company ("Board").

This includes reviewing and approving corporate goals and objectives relevant to the compensation of the executive Directors, evaluating their performance in light of those goals and objectives and either as a committee or together with the other independent Directors (as directed by the Board), determine and approve executive Directors' compensation based on this evaluation; making recommendations to the Board with respect to KMP and Senior Management compensation and recommending incentive-compensation and equity-based plans that are subject to approval of the Board.

### **3. Effective Date of the Policy**

This policy shall be effective from April 01, 2019.

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

- 4.1 Section 178 of the Companies Act, 2013
- 4.2 Regulation 19 of SEBI (Listing Obligations and Disclosure Requirement), Regulations, 2015

### **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 **Committee** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act and applicable Listing Regulations.
- 5.4 **Company** means Munjal Showa Limited.
- 5.5 **Director** means directors appointed to the Board of the Company.
- 5.6 **Independent Director** means a director referred to in Section 149 (6) of the Companies Act, 2013 and rules
- 5.7 **Key Managerial Personnel** in relation to a company means:
- i. Chief Executive Officer or the Managing Director and Joint Managing Director
  - ii. Whole time Director
  - iii. Chief Financial Officer
  - iv. Company Secretary and
  - v. Any other person as defined under the Companies Act, 2013 from time to time
- 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.

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

## 6. Constitution of Committee

The Board has constituted the "Nomination and Remuneration Committee" of the Board on May 23, 2014. This is in line with the requirements under the Companies Act, 2013 ("Act"). This Policy and the Nomination and Remuneration Committee Charter are integral to the functioning of the Nomination and Remuneration Committee and are to be read together.

The Board has authority to reconstitute this Committee from time to time.

## 7. Composition of Committee

### a) Members

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

### b) Chairperson

- Chairperson of the Committee shall be an Independent Director.
- Chairperson of the Company's Board may be appointed as a member of the Committee but shall not Chair the Committee.
- In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- Chairperson of the Nomination and Remuneration Committee may be present at the Annual General Meeting or may authorize any other Committee member to answer the shareholders' queries.



**c) Frequency of Meetings**

The Nomination and Remuneration Committee shall meet at least once in a year.

**d) Quorum**

Quorum of the meeting shall be either two members or one-third of the members of the committee, whichever is greater, including at least one independent director in attendance.

**e) Minutes of Committee Meeting**

Proceedings of all meetings must be minutes and signed by the Chairperson of the Committee any time before the next meeting held or by the Chairperson of next Committee meeting at next meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

**f) Voting**

- 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.
- In the case of equality of votes, the Chairperson of the meeting will have a casting vote.

**8. Committee Members' Interest**

8.1 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.

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

**9. Applicability of Policy:**

9.1 Directors

9.2 Key Managerial Personnel

9.3 Senior Management Personnel

9.4 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.

**10. Role of Committee**

10.1 Periodically reviewing the size and composition of the Board to have an appropriate mix of executive and independent Directors to maintain its independence and separate its functions of governance and management and to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company;

10.2 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.

10.3 Establishing and reviewing Board KMP and Senior Management succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management.

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



- 10.5 The Committee is to assist the Board in ensuring the Board nomination process is in line with the diversity policy of the Board relating to gender, thought, experience, knowledge and perspectives. The policy on Board diversity is available, at <http://www.munjalshowa.net/wp-content/uploads/2016/02/Boards-Diversity-Policy.pdf>
- 10.6 Formulating framework or policy for remuneration, terms of employment including service contracts, policy for pension arrangements and reviewing it on periodic basis.
- 10.7 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.
- 10.8 To retain, motivate and promote talent and to ensure succession planning for long term sustainability of talented managerial persons and competitive advantage.
- 10.9 Formulating terms for cessation of employment and ensure that any payments made are fair to the individual and the Company.
- 10.10 Appointment of Director And Senior Management
- a) The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director, KMP or Senior Management and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
  - b) A person to be appointed as Director, KMP or Senior Management should possess adequate qualification, expertise and experience for the position he / she is considered for.
  - c) A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
  - d) The Company shall not appoint or continue the employment of any person as Managing Director / executive Director/ Independent Director who has attained the age of seventy five years. Provided that the term of the person holding this position may be extended at the discretion of the committee beyond the age of seventy five 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 five years as the case may be.
  - e) A whole-time KMP of the Company shall not hold office in more than one company except in its subsidiary company at the same time. However, a whole-time KMP can be appointed as a Director in any company, with the permission of the Board of Directors of the Company.

10.11 Term /Tenure

- a) Managing Director /Whole time Director, etc:

The Company shall appoint or re-appoint any person as its Executive Chairperson, 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.



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 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.

#### 10.12 Evaluation

The Board on recommendation of Committee shall carry out evaluation of performance of every Director, KMP and Senior Management 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

#### 10.13 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 Directors, KMP and Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

#### 10.14 Retirement

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



## 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, KMP and Senior Management–

11.7 The Remuneration / Compensation / Commission etc. to be paid to Director / Managing Director, KMP and Senior Management 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.

### 11.8 Remuneration to Non – Executive / Independent Director –

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

### 11.9 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.

### 11.10 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, KMP and Senior Management**

- 12.1 Appointment of Directors, KMP and Senior Management and cessation of their service are subject to approval of the NRC and Board of Directors.
- 12.2 Remuneration of CFO, CS and other senior management personnel is decided by the Chairperson & 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.



