

# **NOMINATION AND REMUNERATION POLICY OF DE NORA INDIA LIMITED**

**(Revised effective 27<sup>th</sup> October, 2016)**

## **Introduction:**

In pursuance of the Company's policy that considers its human resources as its invaluable asset and affirms the payment of equitable remuneration to all Directors, Key Managerial Personnel (KMP) and Senior Management employees of the Company, in a manner that harmonizes the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, this Policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee ('the Committee') of the Board of Directors of De Nora India Limited ('the Company') and approved by the Board of Directors. The policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for shareholders. This Policy shall replace the existing Nomination and Remuneration Policy recommended by the Nomination and Remuneration Committee and approved by the Board of Directors in its meeting of 22<sup>nd</sup> August, 2014.

## **Guiding Principles for the Policy**

The guiding principle in formulating the policy is that the remuneration and the other terms of employment shall be competitive in order to ensure that the Company can attract, motivate and retain competent Executives.

- The Nomination and Remuneration policy for Directors, KMPs & the Senior Management Personnel reflects the overriding remuneration philosophy and principles of the Company. When determining the remuneration and employment arrangements for Executive Directors/ KMP's/Senior Management, the Committee considers pay and employment conditions with peers/elsewhere in the competitive market to ensure that pay structures are appropriately aligned and that levels of remuneration remain appropriate in this context.
- The Committee while designing the remuneration package shall consider that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the company successfully.
- The Committee while considering a remuneration package shall ensure that the remuneration involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.
- The Committee shall consider that a successful remuneration policy must ensure that a significant part of the remuneration package is linked to the achievement of corporate performance targets and a strong alignment of interest with stakeholders.

- The Committee shall ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

### **Objective of the Policy**

The Nomination and Remuneration Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- The objectives of this Policy are to recommend to the Board and to lay down guidelines on:
  - Criteria for appointment, performance evaluation and removal of Directors, Senior Management and Key Managerial Personnel
  - Criteria for determining reasonable and sufficient remuneration payable to the Directors, Senior Management and Key Managerial Personnel,
- This Policy was revised by the Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on 27<sup>th</sup> October, 2016

### **Applicability of the policy**

The Nomination & Remuneration Policy applies to the Company's Senior Management, including its Key Managerial Personnel and Board of Directors.

### **Effective date of the Policy**

The Nomination and Remuneration Policy was adopted at the Board Meeting of 22<sup>nd</sup> August, 2014 and was effective from that date. This Policy was revised by the Nomination and Remuneration Committee and approved by the Board at its Meeting of 27<sup>th</sup> October, 2016 and is effective from 27<sup>th</sup> October, 2016.

### **Constitution of the Nomination and Remuneration Committee of the Board**

The Chairperson of the committee shall be an Independent Director. The Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one among them to act as Chairperson.

The Company Secretary shall act as the Secretary to the Committee.

The terms of reference of the Remuneration committee includes the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other senior management employees
2. Formulation of criteria for evaluation of performance of Independent Directors and the Board

3. Devising a policy on Board diversity

4. Identification of 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.

5. Evaluation of the performance of every director.

The Board has the power to reconstitute the Committee in consistent with the Company's Policy and applicable statutory requirements.

The Chairman of the Committee could be present at the Annual General meeting of the Company to answer the shareholder's queries. However, it would be up to the Chairman of the AGM to decide who should answer the queries.

The meeting of the Committee shall be held at such regular intervals as may be required and the quorum of the meeting shall be 2 members.

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.

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

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 Chairman of the meeting will have a casting vote.

Proceedings of all meetings must be put into 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.

**Definitions:**

- Board means Board of Directors of the Company
- Director means Directors comprising the Board of Directors of the Company
- Nomination and Remuneration Committee means the Nomination and Remuneration Committee as constituted and reconstituted by the Board in accordance with the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015
- Company means De Nora India Limited
- Independent Director means a director referred to in Section 149 (6) of the Companies Act, 2013.
- Key Managerial Personnel (KMP) means-
  - (i) Managing Director/Manager;
  - (ii) Whole-time Director;
  - (iii) Chief Financial Officer;
  - (iv) Company Secretary;
  - (v) Such other officer as may be prescribed under the applicable statutory provisions /regulations.

- Senior Management means personnel of the company who are members of its core management team, excluding the Board of Directors. This would include all members of management one level below the executive directors including all 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 or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any amendments made to them from time to time shall have the meaning respectively assigned to them therein.

### **Dissemination**

The details of the Nomination and Remuneration Policy shall be published as may be required under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time).

### **Policy for Appointment and removal of Director, KMP and Senior Management Personnel**

#### **Appointment criteria and qualifications:**

1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
2. The Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a Director.
3. The Committee shall identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
4. 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.
5. The Company shall not appoint or continue the employment of any person as Whole-time Director/Manager/Managing 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 appointment indicating the justification for extension of appointment beyond seventy years.
6. To elaborate the procedure/modalities followed at the Company to enable the Committee to exercise its discretion is as below:
  - a. The vacancy of senior management personnel is reviewed as per the business plan & HR budget of the Company
  - b. Succession planning is carried out in anticipation to fill the likely vacancy
  - c. Depending upon the business plan & the status of Succession planning the extension of services of senior management personnel is decided upon
  - d. The Committee will have the final authority as stipulated in this policy

## Term/Tenure

### 1. Managing Director/Manager/Whole-time Director

The Company shall appoint or re-appoint any person as its Managing Director or Manager or 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.

### 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, 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.

However, if a person who has already served as an Independent Director for 5 years or more in the Company as on 1st October, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he / she shall be eligible for appointment for one more term of years only. 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 of a listed Company.

### 3. KMP and Senior Management Personnel

The Company shall appoint the KMPs and its senior management personnel as per the employment policy of the company. The KMP and the senior management personnel shall be subject to retirement at the age of 58 years.

## Evaluation:

The Committee shall carry out evaluation of the performance of every Director at regular intervals (yearly) based on the evaluation criteria as provided below:

- Expertise in the matters requiring their knowledge and skills.
- Inputs received by the person during Board Meetings/Committee Meetings
- Problem solving skills and strategic decision making abilities
- Contribution in the achievement of business targets
- Professional knowledge, expertise and experience employed in the interest of the Company
- The criteria for performance evaluation is as determined by the Committee. These criteria are suggestive/indicative and the Board /Directors may consider such other criteria as it/they may deem necessary for effective evaluation of performance.

## Removal:

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder 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.

#### **Retirement:**

All Directors apart from the Independent Directors and the Manager/Managing Director/Whole-time Director shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. Independent Directors and the Manager/Managing Director/Whole-time Director shall cease from their position after the expiration of their respective terms unless reappointed in terms of the provisions of the Companies Act, 2013 and rules made thereunder and the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification or re-enactment thereof, for the time being in force). The Board on the recommendation of the Committee will have the discretion to retain the Executive Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

#### **Resignation:**

The Directors may resign from their respective positions at any time by giving the Board a written notice giving reasons. However, the KMPs and the Senior Management Personnel may resign from their respective positions by giving the Company a written notice 3 months in advance from the date of their resignation.

#### **Vacation of Directors:**

Due to reasons for any vacation of the post of the Director as mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Director shall automatically vacate his office as a Director of the Company subject to the provisions and compliance of the said Act, rules and regulations.

#### **Remuneration**

##### **General:**

The remuneration / compensation / Incentives etc. to the Managing Director/Manager/Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. payable to the Managing Director/Manager/Whole-time Director of the Company shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

The remuneration and allowances to be paid to the Managing Director/Manager/Whole-time Director 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 thereunder.

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



Managing Director/Manager/Whole-time Director. Increments will be effective from 1st January every year.

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.

### **Remuneration to Managing Director/Manager/Whole-time Director**

#### **1. Fixed Pay**

The Managing Director/Manager/Whole-time Director 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, performance related incentives 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 Pay**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director/Manager/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 Managing Director/Manager/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 prior sanction of the Central Government, 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 permitted by the Central Government.

The shareholders may by a resolution grant authority to the Board of Directors of the Company (including any Committee or Committees reconstituted by the Board for this purpose) to fix increased remuneration to the Managing Director/Manager/Whole-time Director of the Company subject to the overall limits as prescribed in the provisions of 197, 198, Schedule V and all other applicable provisions of the Companies Act, 2013 and Rules framed thereunder (including any statutory modification or re-enactment thereof, for the time being in force).

#### **4. Stock Options of the Company**

The Managing Director/Manager/Whole-time Director may be entitled to participate in any stock option scheme operated by the Company or Group Company.

## Remuneration to the Non-Executive/Independent Director

### 1. Sitting fees

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

Currently the sitting fees to be paid to the Non- Executive / Independent Director for attending Board/Committee meetings is Rs. 5000/- per meeting.

The Remuneration Committee may recommend to the Board at any time an increase in the Sitting fees to be paid to the Non- Executive / Independent Directors and it shall be the power of the Board to approve such increase subject to the compliance of the provisions of the Companies Act, 2013 and rules made thereunder or any other applicable laws.

### 2. Reimbursement of expenses

In addition to the sitting fees, the Company may pay or reimburse such fair and reasonable expenditure, as may have been incurred by the Non- Executive / Independent Director while performing their role as an Independent/Non-Executive Director of the Company in conjunction with the Company rules and policies. This could include reimbursement of expenditure incurred for attending Board/Committee Meetings, Annual General Meeting, Extra-ordinary General Meetings, induction and training (organized by the Company for Directors) and other incidental expenses incurred in the performance of their role and duties.

### 3. Stock Options of the Company

An Independent Director shall not be entitled to participate in any stock option scheme operated by the Company or Group Company.

## Remuneration to the KMP/Senior Management

The remuneration of KMPs/Senior Management Personnel largely consists of basic salary, perquisites, allowances and performance incentives. Perquisites and retirement benefits are paid according to the Company policy, subject to prescribed statutory ceiling. They will also be entitled to customary non-monetary benefits such as company car, company health care, telephone etc. or any other benefits decided by the Committee and Board in accordance to the Company policy.

The components of the total remuneration vary for different grades and are governed by the industry pattern, qualification & experience / merits, performance of each employee. The Committee while deciding the remuneration package shall take into consideration the current employment scenario, the industry benchmark and ensure that the pay structures are appropriately aligned with the remuneration levels prevalent in the industry from time to time.

The compensation reflects the performance objective of the individual as against the earmarked Key Performance Indicator and the strategic objective and the performance of the Company in accordance to the Company Policy. The annual variable pay of KMPs/Senior Management Personnel is linked to the performance of the Company in general and their individual performance for the relevant year measured against Company's objectives fixed in the beginning of the year.



**Amendments to the Policy:**

This Policy is based on the requirements of the Companies Act, 2013 read with the Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In case any amendment is issued by the relevant authorities, not being consistent with the provisions of this Policy, then such amendment shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date stated under such amendment. The provisions in this Policy would then be modified in due course to make it/them consistent with law.

**Deviations from the Policy:**

Deviations from elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company shall be made if there are specific reason to do so in an individual case, and would need the specific approval of the Board.

**Implementation of the Policy:**

The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals as supplement(s) to this Policy and for better implementation thereof.

**Delegation of Authority:**

The Committee may delegate any of its powers to one or more of its members as may be deemed necessary for proper and expeditious implementation.