



# Nomination and Remuneration Policy

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Revised Policy approved and adopted by the Nomination and Remuneration Committee (NRC) & the Board 29th March, 2019

Original Policy was approved by the NRC & Board : 15th November, 2014

Version - II

## Introduction:

This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Committee and approved by the Board of Directors.

## Objectives of the Committee:

The Committee shall:

- i. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, key managerial personnel and other employees.
- ii. Formulation of criteria for evaluation of Independent Director and the Board
- iii. Devising a policy on Board diversity.
- iv. 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.
- v. Recommend to the Board, appointment and removal of Director, KMP and Senior Management.
- vi. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- vii. To develop a succession plan for the Board and to regularly review the plan.
- viii. Recommend to the Board, all remuneration, in whatever form, payable to senior management (this clause (viii) will be effective from 1<sup>st</sup> April, 2019).

## Effective Date:

The following policy has been formulated by the Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on 29<sup>th</sup> March, 2019. This policy shall be effective with immediate effect.

## Definitions:

- **“Board”**:-Board means Board of Directors of the Company.
- **“Director”**:-Directors means Directors of the Company.
- **“Committee”**:-Committee means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.

- **“Committees of the Board”**:- Committee of the Board means the Committees constituted / to be constituted by the Board of Directors of the Company from time to time under the provisions of the Companies Act, 2013 and Listing Regulations (including amendment thereto, if any).
- **“Company”**:- Company means Electrotherm (India) Limited.
- **“Independent Director”**:- As defined under Regulation 16 of the Listing Regulations and/or under Section 149 of the Companies Act, 2013, ‘Independent director’ shall mean a non-executive director, other than a Nominee director of the company.
  - a. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
  - b. (i) who is or was not a promoter of the company or its holding, subsidiary or associate company or member of the promoter group of the Company;  
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
  - c. who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year or during the current financial year;
  - d. none of whose relatives—
    - (i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

- (ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
- (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed

during the two immediately preceding financial years or during the current financial year;  
or

- (iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);]

e. who, neither himself nor any of his relatives —

- i. holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.

- ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —

- (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

- (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

- iii. holds together with his relatives two per cent or more of the total voting power of the Company; or

- iv. is a Chief Executive or director, by whatever name called, of any non-profit organization that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company; or

- v. is a material supplier, service provider or customer or a lessor or lessee of the company;

f. who possesses such other qualifications as may be prescribed under the Companies Act, 2013.

g. who is not less than 21 years of age.

h. who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director (point (h) shall be applicable with effect from 1<sup>st</sup> April, 2019)

• **“Key Managerial Personnel”**:- Key Managerial Personnel (KMP) means-

- (i) the Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;
- (iii) the Whole-Time Director;
- (iv) the Chief Financial Officer;
- (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

• **“Listing Regulations”**:- Listing Regulations means SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 (including amendments thereof, if any).

• **“Senior Management”**:- The expression “senior management” means officer/personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, Chief Executive Director and manager including the functional heads and 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:-**

The Policy is applicable to –

- Directors (Executive and Non Executive)
- Key Managerial Personnel
- Senior Management

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

The Board has the power to constitute/ reconstitute the Committee from time to time in order to make it consistent with the Company’s policy and applicable statutory requirement.

## **Appointment Criteria & Qualification:**

- i. The Committee shall consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and accordingly recommend to the Board his / her appointment.
- ii. The Company should ensure that the person so appointed as Director/ Independent Director/ KMP/ Senior Management Personnel shall not be disqualified under the Companies Act, 2013, rules made there under, Listing Regulations or any other enactment for the time being in force.
- iii. The Director/ Independent Director/ KMP/ Senior Management shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made there under, Listing Agreement or any other enactment for the time being in force.

## **Additional Criteria for Appointment of Independent Directors:**

The Committee shall consider qualifications for Independent Directors as mentioned in herein earlier under the head 'Definitions' and also their appointment shall be governed as per the provisions Listing Regulations and Companies Act, 2013 (as amended from time to time ).

## **Term / Tenure:**

The Term / Tenure of the Directors shall be governed as per provisions of the companies Act, 2013 and rules made there under as amended from time to time.

## **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 or any other reasonable ground, the Committee may recommend to the Board for removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

## **Manner for effective evaluation of performance of the Board, its Committees and Individual Directors to be carried out by the Board:**

Pursuant to the provisions of Section 178(2) of the Companies Act, 2018 (including any amendment thereto), manner for effective evaluation of performance of the Board, its Committees and individual Directors is as under:

## 1. EFFECTIVENESS OF THE BOARD:

The overall effectiveness of the Board shall be measured on the basis of the ratings given by each Director.

### (i) **Criteria for Board Evaluation**

- (a) Focus on strategic and policy issues
- (b) Effectiveness of Board process and information sharing
- (c) Nature of discussions
- (d) Quality of decisions

### (ii) **Responsibility of Board:**

It shall be the duty of the Company to organize the evaluation process and accordingly conclude the steps required to be taken. The evaluation process will be used constructively as a system to improve the directors' and committees' effectiveness, to maximize their strength and to tackle their shortcomings.

### (iii) **The Board of Directors shall undertake the following activities on an annual basis:**

- (a) Review the various strategies of the Company and accordingly set the performance objectives for directors, consistent with the varying nature and requirements of Company's business.
- (b) The Board as a whole shall discuss and analyze its own performance during the year together with suggestions for improvement thereon, pursuant to the performance objectives.

In conformity with the requirement of the Act, the performance evaluation of all the directors shall be done by the entire Board of Directors, excluding the director being evaluated.

## 2. EVALUATION FACTORS:

The following parameters shall be considered for the purpose of evaluating the performance. In respect of each of the evaluation parameters, various descriptors have been provided to assist with the evaluation process in respect of performance of Board, its committees and individual directors, as such evaluation factors may vary in accordance with their respective functions and duties. The evaluation scale is a simple three point scale i.e. Below Expectations (1), Meets Expectations (2) and Surpasses Expectations (3).

Appraisal of each Director of the Company by the other Directors shall be based on the criteria as mentioned herein below:

### Rating Scale

Scale	Performance
3	Surpasses Expectations
2	Meets Expectations
1	Below Expectations

The Following criteria are adopted for Performance Evaluation Process of the Board, its Committee and Individual Directors:

#### (I) Evaluation of Performance of the Board:

Some of the specific issues and questions that should be considered in a performance evaluation of the entire Board are set out below:

Sr. No.	Assessment Criteria
1.	Composition of the Board is appropriate with the right mix of knowledge and skills required to drive organizational performance in the light of future strategy.
2.	Members of the Board meet all applicable independence requirements.
3.	The Board of Directors is effective in establishing a corporate environment that promotes timely and effective disclosure, fiscal accountability, high ethical standards and compliance with applicable laws and regulations.
4.	The Board of Directors is effective in developing a corporate governance structure that allows and encourages the Board to fulfil its responsibilities.
5.	The Company's systems of control are effective for identifying material risks and reporting material violations of policies and law and the Board is provided with sufficient information about material risks and problems that affects the Company's business and prospects.
6.	The Board receives regular financial updates and takes all necessary steps to ensure the operations of the organization are sound and reviews the organization's performance in carrying out the stated mission on a regular basis.
7.	Sufficient numbers of Board Meetings are, of appropriate length, being held to enable proper consideration of issues.
8.	The information provided to Directors prior to Board Meetings meets expectations in terms of length and level of detail and Board Members come prepared to meetings and ask appropriate questions of management and address issues that might present a conflict of interest
9.	Board Meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues.



10	The Chairman of the Board effectively and appropriately leads and facilitates the Board meetings and the policy and governance work of the Board.
11.	Nomination and appointment of Board members and their Remuneration follow clearly established procedures using known criteria as laid down by the Nomination and Remuneration Committee.
12.	The Board oversees the role of the independent auditor from selection to termination and has an effective process to evaluate the independent auditor's qualifications and performance (through its Audit Committee)
13.	Company has a system for Corporate Social Responsibility, Relationships and for prohibition of insider trading
14.	Company has necessary Committees which are required and these Committees are working effectively

Based on the above criteria, the performance of the Board is required to be assessed by giving a rating of Surpasses Expectations (3) or Meets Expectations (2) or Below Expectations (1). The total number of the ratings awarded will be averaged over the number of persons who have awarded the ratings.

## (II) Evaluation of performance of the Committees:

The performance of Committees of Board shall also be reviewed from time to time considering the following, inter alia, criteria.

Sr. No.	Assessment Criteria
1.	Adequacy of terms of reference of the Committee
2.	Fulfillment of key responsibilities
3.	Frequency and effectiveness of meetings
4.	Quality / relevance and timeliness of information made available
5.	Committee dynamics, especially openness of discussions

Based on the above criteria, the performance of the committees is required to be assessed by giving a rating of Surpasses Expectations (3) or Meets Expectations (2) or Below Expectations (1). The total number of the ratings awarded will be averaged over the number of persons who have awarded the ratings.

## (III) Evaluation of Performance of the Individual Directors:

The following criteria shall be considered for evaluating the performance of the Individual Directors:

## (a) Independent Directors:

Criteria for Evaluation of Independent Directors:

- (a) Participation in terms of adequacy (time & content)
- (b) Contribution through expertise and perspective
- (c) Guidance / support to Management outside Board / Committee meetings

Some of the specific issues and questions that should be considered in the performance evaluation of an Independent Director, (the exercise in which the concerned director being evaluated shall not be included) are set out below:

Sr. No.	Assessment Criteria
1.	Attendance and participation in the meetings
2.	Leadership initiative and advisory role
3.	Abidance and behavior in accordance with ethical standards & code of conduct of Company
4.	Raising of valid concerns to the Board and constructive contribution to resolution of issues at meetings
5.	Safeguard of confidential information
6.	Initiative in terms of new ideas and planning for the Company
7.	Information about the Company and the external environment and factors affecting the working
8.	Safeguarding interest of whistle-blowers under vigil mechanism
9.	Team work attributes
10.	Compliance with policies of the Company, ethics, code of conduct, etc
11.	Timely inputs on the minutes of the meetings of the Board

Based on the above criteria each of the Independent Directors is required to be assessed by the other directors (including other Independent Directors) by giving a rating of Surpasses Expectations (3) or Meets Expectations (2) or Below Expectations (1). The total of the ratings so awarded will be averaged over the number of persons who have awarded the rating.

## (b) Non- Independent Directors:

Some of the specific issues and questions that should be considered in a performance evaluation of Non-Independent Director/Chairman (if he is Non-Independent Director) /MD/WTD are set out below.

Sr. No.	Assessment Criteria
1.	Attendance, participations in the Meetings and timely inputs on the minutes of the meetings
2.	Contribution towards growth of the Company including actual vis-a-vis budgeted performance
3.	Leadership initiative, like new ideas and planning towards growth of the Company and steps initiated towards Branding of the Company.
4.	Adherence to ethical standards & code of conduct of Company.
5.	Team work attributes and supervising & training of staff members
6.	Compliance with policies, Reporting of frauds, violation etc. and disclosure of interest
7.	Safeguarding of interest of whistle blowers under vigil mechanism and Safeguard of confidential information

Based on the above criteria, each of the Non – Independent Directors /Chairman (if he is Non-Independent Director) / MD / WTD is required to be assessed by giving a rating of Surpasses Expectations (3) or Meets Expectations (2) or Below Expectations (1). The total number of ratings awarded will be averaged over the number of persons who have awarded the rating.

### **Policy on Board diversity:**

The Board of Directors shall have the optimum combination of Directors from the different areas like production, Management, Quality Assurance, Finance, Sales and Marketing, Supply chain, Research and Development, Human Resources etc or as may be considered appropriate.

The Board shall have at least one Board member who has accounting or related financial management expertise and at least three members who are financially literate.

### **Remuneration:**

The Committee will recommend the remuneration to be paid to the Managing Director, Whole-time Director, KMP and Senior Management to the Board for their approval.

The level and composition of remuneration so determined by the Committee shall be reasonable & sufficient to attract, retain and motivate directors, Key Managerial Personnel & Senior Management of the quality required to run the company successfully. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration should also 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:

## 1. Director/ Managing Director

Besides the above Criteria, the Remuneration/ compensation/ commission etc to be paid to Director / Managing Director etc 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.

## 2. Non executive Independent Directors

The Non- Executive Independent Director may receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof. Provided that the amount of such 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.

## 3. KMPs / Senior Management etc

The Remuneration to be paid to KMPs/ Senior Management shall be based on the experience, qualification and expertise of the related personnel and governed by the limits, if any prescribed under the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

## 4. Directors' and Officers' Insurance

Where any insurance is taken by the Company on behalf of its Directors, KMPs/ Senior Management etc. 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.

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