

**BALKRISHNA INDUSTRIES
LIMITED**

**NOMINATION AND
REMUNERATION POLICY**

PREFACE:

Policy Title	Nomination and Remuneration Policy
Version Number	1.1
Effective Date	2014
Authorised by	Board of Directors
Number of Revisions	1 (One)
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Introduction: The Company believes that human resources as an asset are invaluable and play an integral part in the growth and success of the Company. The Company also acknowledges that a Board with diversified expertise and experience, adequate mix of Executive and Independent Directors, provides the desired vision, governance structure and mission to the Company in order to enable it to achieve its goals.

Our policy on the appointment of Directors including Independent Directors, Key Managerial Personnel (KMP) and senior management who qualify to become Director and the policy on remuneration of the Directors, KMP, Senior management and other employees provides a referendum based on which the Human Resource Management Team plans and strategies their recruitment plans for the strategic growth of the Company.

1. OBJECTIVE

The Nomination and Remuneration Committee (“Committee”) and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) as amended from time to time. The objective of this policy *inter alia* is to lay down a framework in relation to remuneration of Directors, KMP, Senior Management Personnel and other Employees. The Key Objectives / role of the Committee *inter alia* would be:

- a) To guide the Board in relation to appointment and removal of Directors and KMP;
- b) To Identify persons who are qualified to become Directors and who may be appointed in Senior Management positions in accordance with the criteria laid down in this policy and recommend to the Board of Directors their appointment and removal;
- c) To formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- d) To formulate the criteria for evaluation of performance of Independent Director and the Board;
- e) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board;
- f) To recommend to the Board on Remuneration payable to the Directors;
- g) To recommend to the Board a policy relating to the remuneration of Directors, KMP, Senior

- Management and other employees;
- h) To provide to KMP and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations;
 - i) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage;
 - j) To devise a policy on Board diversity;
 - k) To assist the Board in fulfilling the responsibilities;
 - l) To develop a succession plan for the Board and to regularly review the plan;
 - m) To Implement and monitor policies and processes regarding principles of corporate governance.

2. APPLICABILITY

- a) Directors (Executive and Non Executive)
- b) Key Managerial Personnel
- c) Senior Management Personnel;
- d) Other Employees

3. DEFINITIONS

- a. **"Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- b. **"Board"** means Board of Directors of the Company;
- c. **"Directors"** mean Directors of the Company;
- d. **"Committee"** means Nomination and Remuneration Committee;
- e. **"Key Managerial Personnel (KMP)"** means
 - ✓ Chief Executive Officer or the Managing / Joint Managing Director or the Manager;
 - ✓ Whole-time director;
 - ✓ Chief Financial Officer;
 - ✓ Company Secretary;
 - ✓ 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
 - ✓ such other officer as may be prescribed.
- f. **"Listing Regulations"** means the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended from time to time.
- g. **"Senior Management"** means personnel of the Company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the executive directors including Functional Heads, or as per applicable provisions of law as amended from time to time;

- h. **“Other Employees”** means all permanent employees (in India or abroad) other than the Directors.

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 same meaning assigned to them therein.

4. BOARD DIVERSITY

The Board shall consist of such number of Directors, including atleast one woman Director and not less than fifty percent of the Board of Directors comprising Non-Executive Directors, as is necessary to effectively manage the Company of its size. When the Chairman of the Board is a non-executive Director, at least one-third of the Board should comprise Independent Directors and in case the Company does not have a regular non-executive Chairman or in case the regular non-executive Chairman is a promoter of the Company, at least half of the Board comprise Independent Directors.

The Committee will lead the process for Board appointments. All Board appointments will be based on the skills, diverse experience, independence and knowledge which the Board as a whole requires to be effective.

The Committee shall seek to address Board vacancies by actively considering candidates that bring a diversity of background and opinion from amongst those candidates with the appropriate background and industry or related expertise and experience. The candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. Additionally, the Board may consider appointment of experts from various specialized fields such as finance, law, information technology, corporate strategy, marketing and business development, international business, operations management etc. so as to bring diversified skill sets on board or succeed any outgoing director with the same expertise.

5. CONSTITUTION OF COMMITTEE

The Board of Directors of the Company shall constitute the committee to be known as the Nomination and Remuneration Committee consisting of three or more Non-Executive Directors out of which not less than one-half are Independent Directors or as per applicable provisions of Act and Listing Regulations, amended from time to time.

The Chairman of the Committee shall be an Independent Director. However, the Chairman of the Company (whether Executive or Non-Executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee. The Chairman of the Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

6. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR AND KMP

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and KMP and recommend to the Board his / her appointment.
- The candidate shall 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.

- The appointment of any Whole-Time Director shall also be governed by the prevailing employment policies of the Company as amended from time to time;
- 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 subject to requirements of applicable provisions of Companies Act, 2013 and Listing regulations as may be amended from time to time.
- 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 subject to applicable provisions of Companies Act, 2013 and Listing regulations as may be amended from time to time;
- In case of an Independent Director, the proposed appointee should possess the desired attributes and should not suffer from any disqualifications as prescribed, under Section 149(6) read with the relevant rules and Regulation 16 (1)(b) of the Listing Regulations, and as amended from time to time.

Term / Tenure

Managing Director/Whole-time Director:

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

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. However, if a person who has already served as an Independent Director for 5 years or more in the Company as on October 1, 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 5 years only. The terms and conditions of appointment will be as prescribed from time to time under the Companies Act, 2013 and the Listing

Regulations as amended from time to time.

Evaluation

The Committee shall carry out evaluation of performance of every Director at regular interval (yearly).

Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder or for such other compelling reasons, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of the said Act, rules and regulations.

Retirement

The Independent Directors shall not be liable to retire by rotation. The Director shall retire as per the applicable provisions of the Act, rules or regulations and the prevailing policy of the Company. The Board will have the discretion to retain the Director or KMP in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

7. POLICY RELATING TO THE REMUNERATION FOR THE DIRECTOR, KMP, SENIOR MANAGEMENT AND OTHER EMPLOYEES

General:

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

The remuneration and commission to be paid to the Managing Director, Whole-time Director / Executive Director shall be in accordance with the overall limits as percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act, rules and Listing regulations as amended from time to time.

Where any insurance is taken by the Company on behalf of its 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 of negligence, default, misfeasance, breach of duty or breach of trust, the premium paid on such insurance shall be treated as part of the remuneration.

The remuneration should be reasonable and sufficient in order to justify the position and responsibility and to retain the Directors.

Relationship of remuneration to performance should be clear and meets appropriate performance benchmarks.

Remuneration to Directors, KMP, Senior Management Personnel and other employees should involve a clear balance between fixed and / or incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

Remuneration to Whole-time / Executive / Managing Director:

Fixed pay:

The Managing Director, Whole-time Director/ Executive Director shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup 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 / or Central Government, wherever required.

Performance Based Remuneration:

In addition to fixed remuneration, the Company may implement a system of performance linked incentives / Variable Pay / commission designed to create a strong relationship between performance and remuneration. The Company may conduct annual performance appraisals for Managing / Whole Time Director / Executive Director and the Nomination and Remuneration Committee shall recommend to the Board for any variation in the salary within the limits approved / may be approved by the shareholders.

Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limits computed as per the applicable provisions of the Companies Act, 2013.

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 Act and if it is not able to comply with such provisions, then with the previous approval of the Central Government in accordance with applicable provision of the Act.

Provisions for excess remuneration:

If any Managing Director, Whole-time Director / Executive Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act 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.

Remuneration to Non- Executive / Independent Director:**Remuneration / Commission:**

The remuneration / commission shall be fixed within the overall slabs and conditions mentioned in the Articles of Association of the Company and the Act.

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 as may be prescribed by Act or Listing Regulations as amended from time to time, per meeting of the Board or Committee.

Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limits computed as per the applicable provisions of the Act.

Stock Options:

An Independent Director, Promoter Directors and Nominee Director shall not be entitled to any stock option of the Company.

Remuneration to KMP and Senior Management:

The remuneration to be payable to KMP and Senior Management would be recommended by Committee to the Board considering their qualifications and work experience, competencies as well as their roles, position and responsibilities in the organization, Industry growth, Company goals and performance, responsibility, job profile and complexity, market conditions and prevailing remuneration levels for equivalent jobs.

Remuneration to other employees:

Employees shall be assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the organisation. The remuneration is determined on the basis of the role and position of the individual employee, including professional experience, Industry growth, Company goals and performance, responsibility, job profile and complexity, market conditions and prevailing remuneration levels for equivalent jobs.

8. FREQUENCY AND QUORUM OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required, but atleast once in year. The quorum for a meeting shall be either Two members or One Third (1/3rd) of the members of the committee, whichever is greater, including atleast One Independent Director in

attendance.

9. COMMITTEE MEMBERS' INTERESTS

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.

10. SECRETARY

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

11. 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 Chairman of the meeting will have a casting vote.

12. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

- ✓ Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- ✓ Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- ✓ Identifying and recommending Directors who are to be put forward for retirement by rotation.
- ✓ Determining the appropriate size, diversity and composition of the Board;
- ✓ Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- ✓ Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- ✓ Evaluating the performance of the Board members in the context of the Company's performance from business and compliance perspective;
- ✓ Making 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 an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- ✓ Delegating any of its powers to one or more of its members or the Secretary of the

- Committee;
- ✓ Recommend any necessary changes to the Board; and
- ✓ Considering any other matters, as may be requested by the Board.

13. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

- ✓ to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- ✓ to approve the remuneration of the Senior Management including KMP of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- ✓ to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- ✓ to consider any other matters as may be requested by the Board.
- ✓ Professional indemnity and liability insurance for Directors and senior management.

14. 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.

15. AMENDMENTS TO THE POLICY

The Committee is responsible for monitoring, implementation and review of this policy. The Committee shall provide recommendations as and when it deems necessary to the Board as to how to effectively structure and make recommendation as and when required to facilitate a remuneration strategy which will meet the needs of the Company.

In case of any amendments / clarifications etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then this Policy shall stand amended accordingly from the effective date as laid down thereunder.
