

11/08/2018

NOMINATION AND REMUNERATION POLICY

1. Introduction

This Nomination and Remuneration Policy is being formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") 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 (NRC or the Committee) and has been 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 Directors and the Board of directors;
- iii. Devising a policy on Board diversity;
- iv. Identify persons who are qualified to become Directors 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 Personnel and shall carry out evaluation of every director's performance.
- vi. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

Definitions:

- "Board":-Board means Board of Directors of the Company.
- "Director":-Directors means Directors of the Company.
- "Policy or This Policy" means, "Nomination and Remuneration Policy."
- "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."
- "Committee":-Committee means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.
- "Company":- Company means Porwal Auto Components Limited.
- "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; and
 - (v) such other officer as may be prescribed under the Companies Act, 2013

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■ **"Independent Director"**:- As provided under Regulation 16(b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and/or under 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;
(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;
- 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;
 - ii. 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;
 - iii. is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount of fifty lakhs rupees during the two immediately preceding financial years or during the current financial year;
 - iv. 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
 - v. 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;

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

G. Who is less than 21 years of age.

- **"Senior Management"**:- The expression "senior management" means 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, including the 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 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 Personnel

General Appointment Criteria:

The Committee shall consider the following criteria and qualifications as follows.

- i. The Committee shall identify, ascertain and 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 thereunder, Listing Regulations or any other enactment for the time being in force.
- iii. The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder, Listing Regulations or any other enactment for the time being in force.
- iv. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

Additional Criteria for Appointment of Independent Directors:

The Nomination and Remuneration Committee shall satisfy itself with regard to the Independent nature of the Directors so as to enable the Board to discharge its function and duties effectively. Independent Director shall meet all criteria specified under the provisions of the Companies Act, 2013 and rules made there under and

Listing Regulations. The Committee shall consider qualifications for Independent Directors as mentioned in herein earlier under the head 'Definitions'.

Term / Tenure:

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

Performance Evaluation Criteria

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval.

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

Policy on Board diversity:

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

Policy Review:-

This policy is framed based on the provision of the Companies Act, 2013 and rules thereunder and requirement of the SEBI (LODR) Regulations.

Remuneration: Policy for Remuneration to Directors/Key Managerial Personnel /Senior Management Personnel:

1. Non-Executive Directors

The Company is not paying any remuneration to the Non-Executive /Independent Directors except, sitting fees for attending the Board meetings.

The amount of sitting fees shall be subject to limits as provided under the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

2. Managing Director & Key Managerial Personnel & Other Employees

The remuneration shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and 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. The remuneration of executive Director including the Chairman, Managing Director, and KMP shall be recommended and approved by the Nomination and Remuneration Committee to the Board.
The remuneration 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. The Company shall pay sitting fees to executive Directors for attending the Board meetings.

The amount of sitting fees shall be subject to limits as provided under the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

3. The Company shall pay remuneration to its CS and CFO as per the terms of the appointment as approved by the Nomination and Remuneration Committee and they shall also be entitled for the annual increments based on their performance, evaluated by the Nomination and Remuneration Committee and Board on annual basis.
4. The Remuneration to other employees will be such as to ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks. Remuneration to other employees shall 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.

Amendment

Any change in the Policy shall, on recommendation of Nominations and Remuneration Committee, be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.