



EVEREST KANTO CYLINDER LIMITED

NOMINATION, REMUNERATION AND EVALUATION POLICY

Approved by the Board of Directors at the meeting held on February 10, 2015

This Nomination, Remuneration and Evaluation Policy (the "Policy") applies to the Board of Directors (the "Board"), Key Managerial Personnel (the "KMP") and the Senior Management Personnel of Everest Kanto Cylinder Limited (the "Company").

This Policy is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable Rules thereto and Clause 49 under the Listing Agreement.

## 1. DEFINITIONS

"Employees' Stock Option" means the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a pre- determined price.

"Independent Director" means a director referred to in Section 149(6) of the Companies Act, 2013

"Key Managerial Personnel" (KMP) means—

- (i) Chairman & Managing Director;
- (ii) Company Secretary;
- (iii) Whole-time Director;
- (iv) Chief Financial Officer; and
- (v) Such other Officer as may be prescribed.

"Nomination and Remuneration Committee" shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and the Listing Agreement.

"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.

"Senior Management Personnel" (SMP) means to include all members other than the Directors and KMPs of the Company, who are the functional heads of the departments/divisions/branches of the Company.

The terms used in this Policy but not defined in this Policy shall have the same meaning as defined under the Companies Act, 2013.

## 2. PURPOSE

The primary objective of the Policy is to provide a framework and set standards for the nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and officials comprising the senior management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

## 3. ACCOUNTABILITIES

- (i) The Board is ultimately responsible for the appointment of Directors and Key Managerial Personnel.
- (ii) The Board has delegated responsibility for assessing and selecting the candidates for the role of Directors, Key Managerial Personnel and the Senior Management of the Company to the Nomination and Remuneration Committee which makes recommendations & nominations to the Board.

#### 4. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is responsible for:

- (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
- (ii) identifying individuals suitably qualified to be appointed as the KMPs or in the senior management of the Company;
- (iii) recommending to the Board on the selection of individuals nominated for directorship;
- (iv) making recommendations to the board on the remuneration payable to the Director/ KMPs / SMPs so appointed / reappointed;
- (v) assessing the independence of independent directors;
- (vi) such other key issues/matters as may be referred by the Board or as may be necessary in view of the Listing Agreement and provision of the Companies Act 2013 and Rules thereunder.
- (vii) 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;
- (viii) ensuring that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- (ix) devising a policy on Board diversity;
- (x) developing a succession plan for the Board and to regularly review the plan

#### 5. COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

- (i) The Committee shall consist of a minimum three (3) non-executive directors, majority of them being independent.
- (ii) Minimum two (2) members shall constitute a quorum for the Committee meeting.
- (iii) Membership of the Committee shall be disclosed in the Annual Report.
- (iv) The Company Secretary of the Company shall act as Secretary of the Committee.

#### 6. CHAIRMAN

- (i) The Chairman of the Committee shall be an Independent Director.
- (ii) The Chairman of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- (iii) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- (iv) The Chairman of the Nomination and Remuneration Committee meeting could be present at the

Annual General Meeting or may nominate some other member to answer the shareholders' queries.

7. FREQUENCY OF THE MEETINGS OF THE COMMITTEE

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

8. COMMITTEE MEMBERS' INTERESTS

- (i) 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.
- (ii) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

9. VOTING

- (i) 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 to be a decision of the Committee.
- (ii) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. MINUTES OF THE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.

11. APPLICABILITY

This Policy is applicable to:

- (i) Directors (Executive, Non-Executive and Independent)
- (ii) Key Managerial Personnel
- (iii) Senior Management Personnel
- (iv) Other employees as may be decided by the Nomination and Remuneration Committee

12. CRITERIA FOR APPOINTMENT OF DIRECTORS/KMPs/SENIOR MANAGEMENT PERSONNEL

- (i) Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMPs are the basis for the Nomination and Remuneration Committee to nominate a candidate for appointment by the Board. When recommending a candidate for appointment, the Nomination and Remuneration Committee shall have regard to:
  - (a) assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;
  - (b) the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
  - (c) the skills and experience that the appointee brings to the role of KMP/SMP and how an appointee will enhance the skill sets and experience of the Board as a whole;

(d) the nature of existing positions held by the appointee including directorships or other relationships and

(e) the impact they may have on the appointee's ability to exercise independent judgment;

(ii) Personal Specifications:

(a) Degree holder in relevant disciplines;

(b) Experience of management in a diverse organization;

(c) Excellent interpersonal, communication and representational skills;

(d) Demonstrable leadership skills;

(e) Commitment to high standards of ethics, personal integrity and probity;

(f) Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace;

(g) Having continuous professional development to refresh knowledge and skills.

Details of the personal specifications are provided in the Annexure hereto.

### 13. LETTERS OF APPOINTMENT

Each Director/KMP/SMP is required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned to him in the Company.

### 14. REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL

#### (A) General

The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, KMPs and other SMPs. The salary of Directors, Key Management Personnel and other Senior Management Personnel shall be based & determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed statutorily, if any.

The Nomination & Remuneration Committee shall determine individual remuneration packages for Directors, KMPs and SMPs of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines. The Committee shall consult with the Chairman of the Board as it deems appropriate.

The remuneration/ compensation/ commission etc. to Directors and KMPs determined by the Committee will be recommended to the Board for its approval. The remuneration/ compensation/ commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

Increments to the existing remuneration/ compensation structure of Directors and KMPs shall be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Directors.

Where any insurance is taken by the Company on behalf of its Directors, KMPs and SMPs 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.

(B) Provisions Under Companies Act, 2013 In Respect Of Directors

- (i) The remuneration and commission to be paid to Directors shall be as per the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force.
- (ii) The total managerial remuneration payable by the Company to its Directors, including Managing Director and Whole Time Director (including its Manager, if any) in respect of any financial year shall not exceed eleven percent of the net profits of the Company computed as per the manner prescribed under the Act.
- (iii) The Company with the approval of the Shareholders and Central Government may authorise the payment of remuneration exceeding eleven percent of the net profits of the company, subject to the provisions of Schedule V of the Act.
- (iv) The Company may with the approval of the shareholders authorise the payment of remuneration upto five percent of the net profits of the Company to any one Managing Director/Whole Time Director/Manager and ten percent in case of more than one such official.
- (v) The Company may pay remuneration to its Directors, other than Managing Director and Whole Time Director upto one percent of the net profits of the Company, if there is a Managing Director or Whole Time Director or Manager and three percent of the net profits in any other case.
- (vi) If any 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.
- (vii) The net profits for the purpose of the above remuneration shall be computed in the manner referred to in Section 198 of the Companies Act, 2013.
- (viii) The Independent Directors shall not be entitled to any stock option and may receive remuneration by way of fee for attending meetings of the Board or Committee thereof or for any other purpose as may be decided by the Board and profit related commission as may be approved by the members. The sitting fee to the Independent Directors shall not be less than the sitting fee payable to other directors.

(C) Remuneration Composition

(i) Remuneration to Executive Directors and KMPs

Fixed Pay:

- (a) Executive Directors and KMPs shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Nomination and Remuneration Committee in accordance with the statutory provisions of the Companies Act, 2013, and the rules made thereunder for the time being in force.
- (b) The break-up 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 Central Government, wherever required.

Variable Components:

The Executive Directors and KMPs may participate in a performance linked variable pay scheme which will be based on the individual and company performance for the year, pursuant to which the Executive Directors and KMPs are entitled to performance-based variable remuneration.

(ii) Remuneration to Directors other than Executive Directors:

Sitting Fees:

- (a) The Non- Executive / Independent Directors may receive remuneration by way of fees for attending meetings of Board or Committee thereof.
- (b) Provided that the amount of such fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

Commission:

The Non- Executive / Independent Directors may receive Commission on yearly basis as per the Policy of the Company with regards to the profits achieved by the Company during the year and within the limits prescribed under Companies Act, 2013.

(iii) Remuneration to Senior Management Personnel:

- (a) The Nomination and Remuneration Committee may determine from time to time the remuneration payable to Senior Management Personnel including the increments payable as per the Policy.
- (b) The authority of such determination of remuneration of the SMPs may be delegated to the Managing Director by the Nomination and Remuneration Committee as the Committee deems fit in this regard.
- (c) The Managing Director shall from time to time intimate the Nomination and Remuneration Committee the remuneration payable to the Senior Management Personnel in case of delegation of authority to him by the Nomination and Remuneration Committee.

Fixed Pay:

- (a) Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Nomination and Remuneration Committee. However, in case of Manager as defined under Companies Act, 2013, the remuneration shall be in accordance with the statutory provisions of the Companies Act, 2013, and the Rules made there under for the time being in force.
- (b) The break-up 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 Nomination and Remuneration Committee.

Variable Components:

The Senior Management Personnel may participate in a performance linked variable pay scheme which will be based on the individual and Company performance for the year, pursuant to which the Senior Management Personnel are entitled to performance-based variable remuneration.

**15. CRITERIA FOR EVALUATION OF DIRECTORS/ KMPs/SMPs OF THE COMPANY**

- (i) The evaluation of the Directors, KMPs and the SMPs of the Company shall be conducted on an annual basis which shall further satisfy the requirements of the Listing Agreement.
- (ii) The following criteria may be considered in determining how effective the performances of the Directors/ KMPs / SMPs have been:
  - (a) Leadership & stewardship abilities
  - (b) contributing to clearly define corporate objectives & plans
  - (c) Communication of expectations & concerns clearly with subordinates
  - (d) obtain adequate, relevant & timely information from external sources.
  - (e) review & approval achievement of strategic and operational plans, objectives, budgets
  - (f) regular monitoring of corporate results against projections
  - (g) identify, monitor & mitigate significant corporate risks
  - (h) assess policies, structures & procedures
  - (i) direct, monitor & evaluate KMPs, SMPs
  - (j) review management's succession plan
  - (k) effective meetings
  - (l) assuring appropriate board size, composition, independence, structure
  - (m) clearly defining roles & monitoring activities of committees
  - (n) review of corporation's ethical conduct
- (iii) Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Non-Independent Directors in a separate meeting of the Independent Directors.
- (iv) The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

**16. TERM OF APPOINTMENT AND LIMITS ON NUMBER OF DIRECTORSHIPS**

- (i) Managing Director or Whole – Time Directors



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

(ii) Independent Directors

- (a) 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.
- (b) 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.

- (c) 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.
- (d) The maximum number of public companies in which a person can be appointed as a director shall not exceed ten.

For reckoning the limit of public companies in which a person can be appointed as Director, directorship in private companies that are either holding or subsidiary company of a public company shall be included.

- (e) The appointment shall be subject to the other applicable provisions of Companies Act, 2013

17. FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Company shall familiarize the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc., through various programmes, seminars and plant visits.

18. REMOVAL

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable laws, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP, subject to the provisions and compliance of the applicable laws, rules and regulations.

19. RETIREMENT

The Directors & KMPs shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company, while SMPs shall retire as per the prevailing policy of the Company. The Board will have the discretion to retain the Directors, KMPs, SMPs in the same position / remuneration or otherwise even after attaining the retirement age, in the best interest and benefit of the Company.

20. DISCLOSURES

The Company shall disclose the Policy on Nomination and Remuneration in the Board Report.

21. DEVIATION FROM THE POLICY

The Board may, in individual or collective case, deviate from this Policy, in its absolute discretion, if there are particular reasons to do so. In the event of any departure from the Policy, the Board shall record the reasons for such departure in the Board's minutes. However, the deviations made in the Policy shall not be in contradiction to the Companies Act, 2013, the Listing Agreement and any other laws or rules applicable thereto amended from time to time.

22. AMENDMENTS TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of Nomination and Remuneration Committee can amend this Policy, as and when deemed fit.

23. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

Annexure -

Personal Specification for Directors

1. Qualification

- Degree holder in relevant disciplines (e.g. management, accountancy, legal); or
- Recognised specialist

2. Experience

- Experience of management in a diverse organisation
- Experience in accounting and finance, administration, corporate and strategic planning or fund management
- Demonstrable ability to work effectively with a Board of Directors

3. Skills

- Excellent interpersonal, communication and representational skills
- Demonstrable leadership skills
- Extensive team building and management skills
- Strong influencing and negotiating skills
- Having continuous professional development to refresh knowledge and skills

4. Abilities and Attributes

- Commitment to high standards of ethics, personal integrity and probity
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace

5. Political inclinations and opinions.