

# ROLCON ENGINEERING CO. LTD

## THE NOMINATION AND REMUNERATION POLICY

---

### **PREAMBLE:**

Pursuant to Section 178 of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board of Directors of every listed Company shall constitute the Nomination and Remuneration Committee. In order to align with the provisions of the Companies Act, 2013 and the amended Listing Agreement from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by Nomination and Remuneration Committee and approved by the board of directors of the Company.

The policy approved by the Board of Directors vides its resolution dated 8<sup>th</sup> May, 2015. This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel, Senior Management and other employees. The key features of this Company's policy shall be included in the Board's Report.

### **DEFINITIONS:**

In this Policy unless the context otherwise requires:

- (1) **"Act"** means Companies Act, 2013 and rules thereunder.
- (2) **"Company"** means "Rolcon Engineering Co. Ltd".
- (3) **"Board of Directors"** or **"Board"**, in relation to the Company, means the collective body of the directors of the Company.
- (4) **"Independent Director"** means a director referred to in Section 149 (6) of the Companies Act, 2013.
- (5) **"Key Managerial Personnel"** (KMP) means
  - i) Chief Executive Officer or the Managing Director or the Manager,
  - ii) Company Secretary,
  - iii) Whole-time Director,
  - iv) Chief Financial Officer and
  - v) Such other officer as may be prescribed.
- (6) **"Committee"** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board in accordance with the provisions of Section 178 of the Companies Act, 2013 and the Listing Agreement
- (7) **"Policy"** means, "Nomination and Remuneration Policy."

- (8) **“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.
- (9) **“Senior Management”** means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the executive directors, including all the functional heads.
- (10) **“Ministry”** means the Ministry of Corporate Affairs.
- (11) **“Regulations”** refers to and comprise of Companies Act, 2013, The Companies (Meeting of Board and its Powers) Rules, 2014, The Companies (Appointment and Qualification of Directors) Rules, 2014, The Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014, The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Listing Agreement and such other rules and provisions as applicable to the matters dealt in by this Policy.
- (12) **“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.

#### **OBJECTIVE:**

The Key Objectives of the Committee would be:

- a. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- b. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation.
- c. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

#### **NOMINATION AND REMUNERATION COMMITTEE:**

##### **A. Constitution:**

The Nomination and Remuneration Committee shall comprise at least 3 directors, all of whom shall be non-executive directors and majority shall be independent. The

board has the power to reconstitute the committee as per the company"s policy and applicable statutory requirement.

B. Tenure of the committee:

Term of the Committee shall be continued unless terminated by the Board of Directors.

C. Meeting

- i. Frequency: The meeting of the Committee shall be held at such regular intervals as may be required.
- ii. Chairman: The chairman of the committee shall chair at the meetings of the committee. In absence of the chairman, present committee members shall appoint one among them to act as Chairman.
- iii. Quorum: Minimum two (2) members shall constitute a quorum for the Committee meeting.

D. 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.

E. Committee Members' Interests

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

**APPLICABILITY:**

This Policy is applicable to:

1. Directors viz. Executive, Non-executive and Independent
2. Key Managerial Personnel

### 3. Senior Management Personnel

#### **EFFECTIVE DATE:**

This policy shall be operational with immediate effect after its adoption and approval by the Board of Directors at its meeting held on 8<sup>st</sup> May, 2015.

#### **ROLE & DUTIES OF THE COMMITTEE:**

The Nomination and Remuneration Committee is responsible for:

- a. To formulate a criteria for determining qualifications, positive attributes and independence of a Director.
- b. Formulate criteria for evaluation of Independent Directors and the Board.
- c. To carry out evaluation of every Director's performance
- d. Identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this policy.
- e. To recommend to the Board the appointment and removal of Directors and Senior Management.
- f. To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
- g. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- h. To devise a policy on Board diversity.
- i. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
- j. To perform such other functions as may be necessary or appropriate for the performance of its duties.

### **EVALUATION OF EVERY DIRECTOR'S PERFORMANCE:**

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

The following criteria may assist in determining how effective the performances of the Directors/KMPs/Senior officials 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, senior officials
- 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

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.

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.

### **APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL:**

Appointment criteria and qualifications:

- a. 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.

- b. 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 are sufficient / satisfactory for the concerned position.
- c. The Company shall not appoint or continue the employment of any person as Managing Director/Whole-time Director/Manager 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 motion indicating the justification for extension of appointment beyond seventy years.
- d. The Appointment, removal and Remuneration of the Independent Directors will be governed by the Company Act, 2013 and rules made there under.

Term / Tenure:

The Company shall appoint or re-appoint any person as its Managerial Person 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.

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 subject to the provisions and compliance of the said Act, rules and regulations.

The Committee may recommend, to the Board removal of a Director, KMP or Senior Management Personnel due to following reasons:

- Any disqualification
- Misconduct
- Breach of Contract or trust
- Conflict in interest

Such recommendation to the Board shall be with reasons recorded in writing.

### Retirement:

The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

### **REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT:**

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

The Nominations & Remuneration Committee determines individual remuneration packages for Directors, KMPs and Senior Officials 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 consults with the Chairman of the Board as it deems appropriate. Remuneration of the Chairman is recommended by the Committee to the Board of the Company.

#### (I) Remuneration:

##### a) Base Compensation (fixed salaries)

Must be competitive and reflective of the individual's role, responsibility and experience in relation to performance of day-to-day activities, usually reviewed on an annual basis; (includes salary, allowances and other statutory/non-statutory benefits which are normal part of remuneration package in line with market practices).

##### b) Variable salary:

The Remuneration & Nomination Committee may in its discretion structure any portion of remuneration to link rewards to corporate and individual performance, fulfillment of specified improvement targets or the attainment of certain financial or other objectives set by the Board. The amount payable is determined by the Committee, based on performance against pre-determined financial and non-financial metrics.

#### (II) Statutory Requirements:

- a) Section 197(5) of the Companies Act, 2013 provides for remuneration by way of a fee to a director for attending meetings of the Board of Directors

and Committee meetings or for any other purpose as may be decided by the Board.

- b) Section 197(1) of the Companies Act, 2013 provides for the total managerial remuneration payable by the Company to its directors, including managing director and whole time director, and its manager in respect of any financial year shall not exceed eleven percent of the net profits of the Company computed in the manner laid down in Section 198 in the manner as prescribed under the Act.
- c) 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.
- d) The Company may with the approval of the shareholders authorise the payment of remuneration up to five percent of the net profits of the Company to its anyone Managing Director/Whole Time Director/Manager and ten percent in case of more than one such official.
- e) The Company may pay remuneration to its directors, other than Managing Director and Whole Time Director up to 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.
- f) 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.

#### Remuneration to Non-Executive / Independent Director

##### a. Remuneration / Commission:

The remuneration / commission shall be in accordance with the statutory provisions of the Companies Act, 2013, and the rules made thereunder for the time being in force.

##### b. 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 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.

##### c. Limit of Remuneration /Commission:

Remuneration /Commission may be paid within the monetary limit, subject to the limit not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Companies Act, 2013.



d. Stock Options:

An Independent Director shall not be entitled to any stock option of the Company

e. The remuneration payable to the Directors shall be as per the Company's policy and shall be Valued as per the Income Tax Rules.

e. The remuneration payable to the Key Managerial Personnel and the Senior Management shall be as may be decided by the Board having regard to their experience, leadership abilities, initiative taking abilities and knowledge base.

**IMPLEMENTATION:**

The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate.

The Committee may Delegate any of its powers to one or more of its members.

**DEVIATIONS FROM THIS POLICY:**

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

**AMENDMENT TO THIS POLICY:**

The Board of director has power to amend this policy in best interest of the company or in compliance the statutory requirements and listing agreement from time to time.

**OTHER GENERAL MATTERS:**

The Committee shall ensure that –

1. The policy is in accordance with the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force);
2. The composition of the Board is in accordance with the Companies Act, 2013, and the rules made thereunder, and Listing Agreement as amended from time to time;
3. The Board of the Company may consciously consist of directors from expertise field as may be considered fit by the Committee which is essential and beneficial for the growth of the Company;

4. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
  5. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  6. Remuneration to directors, KMPs and senior management 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;
  7. The policy is disclosed in the Boards' Report.
-