



## 1. PREAMBLE

Section 134(3) of the Companies Act, 2013 provides that there shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include *company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178.*

The Board of Directors of Ralson (India) Limited constituted a Nomination and Remuneration Committee in its meeting held on 25.12.2014.

The committee and the policy are formulated in compliance with section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

## 2. GUIDING PRINCIPLES

The policy ensures that:

- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate human resource including directors of the quality required to run the company successfully;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- c) remuneration to directors, key managerial personnel 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.

## 3. PRESENT POSITION OF DIRECTORS & SENIOR MANAGEMENT OF THE COMPANY

- ✓ At present there are total 6 (six) directors on the Board of the company of which 3 (three) are Executive directors, 1 (one) is Non- Executive Director and 2 (two) are Non-Executive and Independent directors.
- ✓ "Senior Management" of the Company 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.

## 4. TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE

Section 178(3) of the Companies Act, 2013 requires that the Nomination and Remuneration Committee shall:

- ✓ formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- ✓ identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal.
- ✓ carry out evaluation of every director's performance.



## **5. POLICY RELATING TO APPOINTMENT AND REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT PERSONNEL & OTHER EMPLOYEES**

### **CRITERIA FOR DETERMINING THE FOLLOWING:**

#### **Qualifications for appointment of Directors (including Independent Directors):**

- a) Persons of eminence, standing and knowledge with significant achievements in business, professions and/or public service;
- b) Their financial or business literacy/skills;
- c) The background and qualifications of the Directors considered as a group should provide a significant breadth of experience, knowledge and abilities to assist the Board in fulfilling its responsibilities;
- d) Appropriate other qualification/experience to meet the objectives of the Company;
- e) As per the applicable provisions of Companies Act 2013 and Rules made thereunder.

#### **Positive attributes of Directors (including Independent Directors):**

- a) Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively;
- b) Potential nominee should be free of any conflict of interest which would violate any applicable law or regulation or interfere with the performance of the responsibilities of a director;
- c) Willingness of the nominee to devote sufficient time necessary to function effectively as a Director, including attending and participating in meetings of the Board and its Committees;
- d) Demonstrated business acumen, experience and ability to use sound judgment and to contribute to the effective oversight of the business and financial affairs of a large, multifaceted, global organization;
- e) Commitment of the nominee to understand the Company and its industry and update his/her knowledge and skills with the latest developments in the tyres and tubes industry, market conditions and applicable legal provisions;
- f) Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company;
- g) Independent Directors to meet the requirements of the Companies Act, 2013 together with the Rules made thereunder.

### **Criteria for appointment of Senior Management:**

The following criteria shall be considered for appointment of senior management personnel:-

- a) To possess the required qualifications, experience, skills & expertise to effectively discharge their duties and responsibilities;
- b) To practice and encourage professionalism and transparent working environment;



- c) To build teams and carry the team members along for achieving the goals/objectives and corporate mission;
- d) To adhere strictly to rules and regulations of the organization.

### **Remuneration of the Directors**

The remuneration payable to the directors of the company shall at all times be determined, in accordance with the provisions of Companies Act, 2013.

### **Remuneration of Managing Director and Whole-time Director**

The terms and conditions of appointment and remuneration payable to a Managing Director and Whole-time Director(s) shall be recommended by the Nomination and Remuneration Committee to the Board for its approval which shall be subject to approval by shareholders at the next general meeting of the Company and by the Central Government in case such appointment is at variance to the conditions specified in Schedule V to the Companies Act, 2013. Approval of the Central Government is not necessary if the appointment is made in accordance with the conditions specified in Schedule V to the Act.

In terms of the provisions of Companies Act, 2013, the Company may appoint a person as its Managing Director or Whole-time Director for a term not exceeding 5 (years) at a time.

The executive directors may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.

The break-up of the pay scale, commission and quantum of perquisites shall be decided and approved by the Board on the recommendation of the Committee and shall be within the overall remuneration approved by the shareholders and Central Government, wherever required.

While recommending the remuneration payable to a Managing/ Whole-time Director, the Nomination and Remuneration Committee shall, inter alia, have regard to the following matters:-

- ✓ Financial and operating performance of the Company;
- ✓ Relationship between remuneration and performance;
- ✓ Industry/ sector trends for the remuneration paid to executive directorate.

Annual increments to the Managing/ Whole Time Director(s) shall be within the slabs approved by the shareholders.

### **Insurance Premium as Part of Remuneration**

Where any insurance is taken by a company on behalf of its Managing Director or Whole-time Director for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

However, if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.



### **Remuneration of Independent Directors**

Independent Directors may receive remuneration by way of:

- ✓ Sitting fees for participation in the Board and other meetings;
- ✓ Reimbursement of expenses for participation in the Board and other meetings.

Independent Directors shall not be entitled to any stock option of the company.

The Board may decide the sitting fee payable to independent directors provided that the amount of such fees shall not exceed the maximum permissible under the Companies Act, 2013.

### **Remuneration of Senior Management**

The remuneration of Senior Management shall be determined by the Human Resources Department of the Company in consultation with the Managing Director.

The remuneration determined for senior personnel shall be in line with the Company's philosophy to provide fair compensation to key - executive officers based on their performance and contribution to the Company.

The break-up of the pay scale and quantum of perquisites shall be decided by the Company's HR department in consultation with the Managing Director.

Decisions on Annual Increments of the Senior Personnel shall be decided by the Human Resource Department in consultation with the Managing Director of the Company.

### **Remuneration of other Employees**

Apart from the Directors and Senior Management, the remuneration for rest of the employees is determined on the basis of the role and position of the individual employee, including experience, qualification, responsibility, job complexity and local market conditions.

The various remuneration components, basic salary, allowances, perquisites etc. may be combined to ensure an appropriate and balanced remuneration package.

The annual increments to the remuneration paid to the employees shall be determined based on the annual appraisal carried out by the HoDs of various departments.

### **Following criteria relating to remuneration shall also to be considered:-**

- ✓ Responsibilities and duties;
- ✓ Time and efforts devoted;
- ✓ Value addition;
- ✓ Profitability of the Company and growth of its business;
- ✓ Analyzing each and every position and skills for fixing the remuneration yardstick;
- ✓ Ensuring tax efficient remuneration structures;
- ✓ Ensuring that remuneration structure is simple and that the cost to the Company (CTC) is not shown inflated and the effective take home remuneration is not low;
- ✓ Other criteria as may be applicable.



## **5. GENERAL**

This Policy shall apply to all future employment of Company's Senior Management and Board of Directors.

Any or all the provisions of this Policy would be subject to the revision/ amendment in the Companies Act, 2013 and related rules and regulations on the subject, as may be notified from time to time. Any such amendment shall automatically have the effect of amending this Policy without the need of any approval by the Nomination and Remuneration Committee and/ or the Board of Directors.