

## NOMINATION AND REMUNERATION POLICY

### Preamble

In accordance with the requirements under Section 178 of the Companies Act, 2013 and the rules made thereunder (“Act”) and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time (“Listing Regulations”), every listed public company is required to constitute a nomination and remuneration committee of directors (“NRC”).

The NRC of PI Industries Limited (“Company”), has formulated this nomination and remuneration policy (“Policy”) in accordance with the requirements of Section 178(3) of the Act read with the provisions under Regulation 19 read with Part D of Schedule II of the Listing Regulations. In case of any inconsistency between the provisions of law and this Policy, the provisions of the law shall prevail, and the Company shall abide by the applicable law.

### 1. Objective and Purpose

This Policy is applicable in relation to nomination, appointment and remuneration of (i) directors of the Company (“Director”), (ii) independent directors of the Company (“Independent Director”) (iii) key managerial personnel of the Company (“KMP”), and (iv) senior management personnel of appointed by the Company (“SMP”).

While formulating the Policy, NRC has considered the factors as provided under Section 178(4) of the Act, which are as under:

- 1.1 the level and composition of remuneration is reasonable and sufficient to attract and retain Directors and Independent Directors of the quality required to run the Company successfully ;
- 1.2 relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- 1.3 remuneration to Directors, Independent Directors, KMP and SMP 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.

In the context of the afore said considerations, the Policy has been formulated by the NRC and adopted by the Board at its meeting held on 21st May, 2014 and further amended in requirements with Listing Regulations .

## 2. Definitions

- 2.1 “Board” means the board of directors of the Company.
- 2.2 “Company” means PI Industries Limited.
- 2.3 “Directors” means directors on the Board of the Company other than independent directors.
- 2.4 “Independent Directors” means all such directors referred to in Section 149 (6) of the Companies Act, 2013 read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 2.5 “KMP” means and includes chief executive officer, managing director, whole time director, manager, chief financial officer and company secretary of the Company and any other officer of the Company as identified by the Board .
- 2.6 “Listing Regulations” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations , 2015, as amended from time to time .
- 2.7 “NRC” means the Nomination and Remuneration Committee of the Company.
- 2.8 “SMP” means the personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below Chief Executive Officer/ Managing Director/ Whole time Director and shall specifically include Company Secretary and Chief Financial Officer.

Unless the context otherwise requires, the “words and expressions” used in this Policy and not defined herein but defined in the Act and the Listing Regulations, as may be amended, from time to time, shall have the meaning assigned to them therein .

## 3. Applicability

This Policy is applicable to all Director (s), Independent Director (s) , KMP and SMP of the Company.

## 4. Role of NRC

The role and scope of the NRC shall be as follows:

- 4.1 Guide the Board to lay down the terms and conditions to identify such persons who are qualified to become Directors, Independent Directors, KMP and SMP

of the Company, in accordance with the Company's criteria and recommend to the Board their appointment and removal.

- 4.2 To formulate criteria for determining qualifications, positive attributes and independence of an Independent Director.
- 4.3 To recommend to the Board on aspects of remuneration of the Directors, Independent Directors, KMP and SMP and other employees.
- 4.4 To specify the manner for effective evaluation of performance of Directors, Independent Directors, Board (and its committees, Chairperson of the Board and whether such evaluation is to be carried out either by the Board, by NRC or by an independent external agency, and review implementation and compliance with such evaluation requirements.
- 4.5 Retaining, motivating and promoting talent among the personnel of the Company and ensuring long term sustainability of talented personnel by creation of competitive advantage through a structured talent review.
- 4.6 To develop a succession plan for the Board and to regularly review such plan accordingly.
- 4.7 To make recommendations to the Board with respect to incentive compensation plans.
- 4.8 To periodically review the composition and duties of committees of the Board and recommend any changes.
- 4.9 To consider the adequacy of the constituent documents of the Company
- 4.10 To devise a policy on diversity of the Board.
- 4.11 To carry out any other responsibilities and duties delegated to it by the Board from time to time.
- 4.12 To carry out additional functions and adopt additional policies and procedures as may be required or appropriate in light of changing business, legislative, regulatory requirements as notified from time to time.

## **5. Succession planning for appointment of Directors, KMPs/ SMPs:**

Pursuant to Regulation 17(4) of the Listing Regulations, the Board is required to ensure that plans are in place for orderly succession for the Board.

Accordingly, the NRC has formulated the following criteria and related procedures:

### **Succession plan for the Board and KMPs**

- 5.1 The NRC shall identify suitable persons based on the criteria of the Company and the vacancy that has arisen, for the position of Director, Independent Director and/ or KMP.

- 5.2 NRC shall apply a due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director, Independent Director and/ or KMP based on their educational qualifications, relevant experience and track record, and any other criteria, as necessary under the internal policies of the Company, the Act and the Listing Regulations. All appointments or re- appointments of persons falling within the applicability of this Policy shall be subject to prior recommendation by NRC.
- 5.3 The appointment, re-appointment or removal of the person at the Board and KMP level shall be recommended by NRC and approved by the Board.

#### **Succession plan for SMP**

- 5.4 NRC shall periodically review and consider the list of SMP due for retirement, vacancies arising out of attrition or business needs during the course of the year. Accordingly, NRC shall assess the availability of suitable candidates, based on the Company's criteria and recommend suitable candidate to the Board.
- 5.5 In the event that an SMP is due for retirement, NRC may review the possibility of extending the term of such SMP on the basis of health, age and the person's willingness to continue for an extended term. In the event that an extension is possible, such cases will be recommended by NRC to the Board for its approval.
- 5.6 While reviewing the incumbent SMPs, NRC shall evaluate basis relevant criteria like experience, age, health, leadership quality etc. and recommend to the Board, if the concerned individual may be granted an extension in term/service, or be replaced.
- 5.7 NRC may recommend to the Board, if necessary, to appoint other suitable external candidate(s) as special recruitment in senior managerial level based on job roles and competency in order to provide a continuous flow of talented people to meet the organizational needs.
- 5.8 In case if such position is to be filled internally or externally, NRC will evaluate the suitable candidates for the said positions internally as well as externally on basis of the criteria such as job role, experience, leadership qualities, competencies, track record, etc.
- 5.9 NRC may utilize the services of professional search firms to assist in identifying and evaluating potential candidates, for filling vacancies in the Company.
- 5.10 NRC shall identify high-potential employees who merit faster career

progression to position of higher responsibility and formulate, administer, monitor and review the process of skill development and identify the training requirements.

- 5.11 In the event of any unexpected occurrence in respect of any member of the Board, KMP and/ or SMP, the next person as per the organization chart (as far as possible) shall take interim charge of the position, pending the formal appointment in terms of the succession plan.
- 5.12 Where it is decided to appoint an external candidate, timely and planned steps shall be taken for selection of a suitable candidate so that the appointment is made well before the retirement/relieving of the concerned personnel to ensure the smooth transition.
- 5.13 In the event that candidates are identified by managing director and/ or the chief executive officer of the Company, the shortlisted candidates are further referred to the NRC for due diligence and evaluation, before they could be recommended to the Board for its approval.
- 5.14 All recommendations of NRC shall be placed before the Board for its approval.

## **6 Composition and quorum of the NRC**

- 6.1 NRC shall comprise of at least 3 (three) Directors;
- 6.2 All Directors of NRC shall be non-executive directors; and
- 6.3 At least 50% (fifty percent) of the Directors shall be Independent Directors;
- 6.4 The Chairperson of the NRC shall be an Independent Director. The Chairperson of the Company, whether executive or non-executive, may be appointed as a member of the NRC and shall not chair the committee.
- 6.5 At least one-third or 2 (two) members whichever is greater, including at least one Independent director shall constitute a valid quorum for the NRC meeting. NRC may invite any executive, as it considers appropriate, to be present at the meetings of NRC.
- 6.6 The Chairperson of the NRC, or in his/her absence, any other member of the NRC authorized by him on his behalf, may be present at the annual general meeting of the Company, to answer the shareholders' queries. However, it shall be up to the chairperson to decide who shall answer the queries.

## **7 Voting**

Matters arising for determination at NRC meetings shall be decided by majority of votes of members present and any decision arrived at by the members shall for all purposes be deemed a decision of NRC. The Chairperson of NRC shall have a casting vote in case of tie of votes.

## **8 Meetings of NRC**

The meeting of the NRC shall be held at least 1 (one) time in a year and any such intervals as may be required

## **9 Appointment of Director, KMP and SMP**

- 9.1 NRC shall identify, ascertain the integrity, qualification, expertise, experience of a candidate and recommend to the Board for his / her appointment as a Director, Independent Director, KMP or SMP.
- 9.2 NRC has the discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- 9.3 NRC shall ensure that any person who is appointed or continues in the employment of the Company as its Executive Chairperson / Vice Chairperson, Managing Director, Whole Time Director or Manager should comply with the conditions and eligibility criteria as set out in Section 196 read with Part I of Schedule V of the Act and any other applicable law.
- 9.4 NRC shall ensure that any appointment of a person as an Independent Director of the Company shall be made in accordance with the provisions of Section 149 read with Schedule IV of the Act along with applicable provisions of the Listing Regulations and any other applicable law.

## **10 Tenure of appointment**

### **10.1 Executive Director(s)**

Board shall, on the recommendation of NRC, appoint / re-appoint any person as its managing director, whole time director or by whatever name called, for a term up to 5 (five) consecutive years. Further, no re-appointment of such person shall be made at a time earlier than 1 (one) year before the expiry of term.

### **10.2 Independent Director(s)**

- 10.2.1 NRC shall ensure that an Independent Director appointed on the Board shall hold office for a term up to 5 (five) consecutive years and he shall be eligible for reappointment for another term not exceeding 5 years on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- 10.2.2 Further, NRC shall ensure that no Independent Director shall hold office for more than 2 (two) consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an Independent Director. The said Independent

Director shall not, during such 3 (three) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. At the time of appointment of Independent Director, it should be ensured that number of board of directors on which such Independent Director serves, is restricted to applicable regulations in force.

## **11 Evaluation**

- 11.1 NRC shall specify the manner for effective evaluation of performance of Board as a whole, committees of the Board and individual Directors.
- 11.2 The Committee shall monitor and review the framework adopted for evaluation of the Board, conduct an assessment of the performance of the Board, committee of the Board, Directors, Independent Directors, and the chairperson of the Board against criteria as determined by the Board.
- 11.3 The performance evaluation of Independent Directors shall be done by the entire Board, on recommendation of the NRC (excluding the Independent Director that is being evaluated), which shall include: (I) performance of the directors; and (ii) fulfilment of the independence criteria by Independent Directors and their independence from the management.
- 11.4 NRC, on request of the Board, may formulate evaluation methodology that shall be used to evaluate performance of such personnel, as necessary, either by the Board, NRC itself or by an external agency. This evaluation methodology will be approved by the Board before it is used for evaluation.
- 11.5 NRC may invite such executives, as it considers appropriate to be present at its meetings.

## **12 Removal**

NRC shall recommend to the Board, with reasons recorded in writing, for removal / suspension of any Director, Independent Director, KMP and SMP of the Company if any of such aforementioned person, due to any reason, is eligible for disqualification under the provisions of the Act, the Listing Regulations or any other applicable law.

## **13 Retirement**

The Director, Independent Director, KMP and SMP of the Company shall retire as per the applicable provisions of the Act and any prevailing policy of the Company, in relation to retirement of employees. However, the Board shall have the discretion to retain such retiring Director, Independent Director, KMP and S M P of the Company at same position / remuneration or otherwise, if permitted by the provisions of the Act and the Listing Regulations or any such applicable law, even after attaining the retirement age, for the benefit of the Company.

## 14 Remuneration

### 14.1 Executive Director(s)

- a) NRC shall determine the remuneration payable to the executive Directors of the Company and recommend to the Board for its approval. The Board's approval shall be subject to approval of the shareholders of the Company. The remuneration payable to the executive Directors of the Company shall be in accordance with the applicable percentage(s)/ slab(s)/ condition(s) as set out in: (i) the articles of association of the Company and (ii) provisions of the Act and any other applicable law.

The fees or compensation payable to Executive Directors who are promoters or members of the promoter group, shall be subject to approval of the shareholders of the Company in case:

- i. the annual remuneration payable to such executive director exceeds INR 5,00,00,000/- (Indian Rupees five crores) or 2.5% of the net profits of the Company, whichever is higher; or
  - ii. where there are more than one such Director, the aggregate annual remuneration to such Directors exceeds 5% of the net profits of the Company.
- b) Where the Company is required to avail any insurance on behalf of its Executive Director(s) for indemnifying them against any liability(is) in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation the Company, the premium paid on such insurance shall not be treated as part of the remuneration payable by the Company 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 of the executive Director(s), responsible for such claim.

### 14.2 Non- Executive / Independent Director(s)

The non – executive / Independent Director(s) shall receive remuneration by way of fees for attending meetings of Board or any committee in which such Independent Director(s) is member, provided that, the amount of such sitting fee shall not exceed such amount as may be approved by board for attending the meeting of the Board or any committee in which the Independent Director(s) is member or (ii) such other amount as may be prescribed by the Act and/ or any other applicable law.

- (i) Further, In the event that annual remuneration payable to a single non-executive Director exceeds 50% (fifty percent) of



the total annual remuneration payable to all non-executive Directors, the approval of shareholders by a special resolution shall be obtained by the Company.

- (ii) Independent Director(s) of the Company shall not be entitled to any stock option in the Company.

The total managerial remuneration payable by the Company to its Directors, including the managing director and whole-time director, and its manager in respect of any financial year shall not exceed 11% (eleven percent) of the net profits of the Company for that financial year.

Keeping in line with the provisions of the Act, remuneration payable to any one managing director or whole-time director or manager of the Company shall not exceed 5% (five percent) of the net profits of the Company and if there are more than one such Director, remuneration shall not exceed 10% (ten percent) of the net profits to all such Directors and manager taken together.

#### 14.3 KMP / SMP

- (a) NRC shall recommend to the Board and the Board will approve the remuneration payable to (i) KMP, who is / are not an executive Director, and (ii) SMP of the Company.
- (b) The break-up of the remuneration payable to KMP and SMP of the Company including the perquisites such as employer's contribution to provident fund, pension scheme, medical expenses, club fees and like shall also be approved by the Board on the recommendations received from the NRC.

### 15 Profit related commission

#### Directors

The Directors are entitled to profit related commission in accordance with the applicable provisions under the Act and any other applicable law which is considered and approved by the board on the basis of the recommendation by NRC.

The commission paid to Directors including MD/CEO is mapped to the achievement of company's financial metrics like turnover, profitability, return on capital, return on equity and various other long-term financial metrics.

#### KMPs/ SMPs

In addition to fixed remuneration, to motivate other KMPs viz., who is / are not Director(s), and SMP of the Company to pursue a long-term growth and success for and of the Company, the NRC shall recommend to the Board the amounts that may be distributed amongst other

KMP and SMP of the Company as performance-based remuneration, on such interval as per company policy which shall also take in to account the company performance, financial parameters like turnover, profitability, business performance, long term strategy goals and initiatives.

**16 Minimum remuneration:**

If, in any financial year, the Company has no profits or inadequate profits, it shall pay remuneration to its managerial persons in accordance with the provisions of Schedule V of the Act, provided that, any deviation in remuneration from the provisions of Schedule V of the Act shall be with the approval of the shareholders of the Company.

**17 Provisions for excess remuneration:**

In the event that any executive Director(s) draws or receives, either directly or indirectly, remuneration in excess of the limits prescribed under provisions of Schedule V of the Act, such executive Director(s) shall refund such sums to the Company and until such sum is refunded, he / she shall hold it in trust for the Company. The Company shall not waive any of its recovery right of the refundable sum unless approved by the shareholders.

**18 Authority**

NRC shall have free access to management and management information. NRC, at its sole authority, may seek the advice of outside experts or consultants at the Company's expense where adjudged necessary, to discharge its duties and responsibilities.

**19 Implementation and review**

NRC is responsible for the monitoring, implementation and review of this Policy. NRC shall provide recommendations to the Board as to how to effectively structure and facilitate a remuneration strategy, which meets the requirement of the Company. The Board shall review the (i) contents of, and (ii) compliance with this Policy at regular intervals.