

P. N. GADGIL & SONS LTD.

NOMINATION AND REMUNERATION POLICY

Introduction:

This Nomination and Remuneration Policy of **P. N. GADGIL & SONS LIMITED** is being formulated in compliance with Section 178 of the Companies Act, 2013 ('Act') read along with the applicable rules thereto as amended from time to time and SEBI (LODR). This policy on nomination and remuneration of Directors, Key Managerial Personnel ('KMP') and Senior Management ('SMP') has been formulated by the Nomination and Remuneration Committee (NRC or the Committee) and has been approved by the Board of Directors to pay equitable remuneration to the directors, KMPs, SMPs and other employees of the Company and to harmonize the aspirations of human resources consistent with the goals of the Company.

Definitions :

1. **"Company"** means **"P. N. GADGIL & SONS LIMITED"**
2. **"Board"** means Board of Directors of the Company.
3. **"Directors"** mean Directors of the Company.
4. **"Key Managerial Personnel"** means:
 - a) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director & Executive Director;
 - b) Chief Financial Officer;
 - c) Company Secretary; and
 - d) Such other officer as may be prescribed.
5. **"Senior Managerial Personnel"** means the personnel of the company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management, of rank equivalent to General Manager and above, including all functional heads.
6. **'Other Employees'** means all employees other than Directors, KMP and SMPs.
7. **"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;
8. **"Policy or This Policy"** means, "Nomination and Remuneration Policy."
9. Unless the context otherwise requires **words** and **expressions** used in this policy and not defined herein but defined in the Companies Act, 2013 and Listing agreement as may be amended from time to time shall have the meaning respectively assigned to them therein.

Constitution of Nomination and Remuneration Committee:

The Board has constituted the Nomination and Remuneration Committee of the Board on 10th November, 2017. This is in line with the requirements under the Act.

Objectives and Role of the Committee:

The objectives and role of the policy are to ensure that:

- a) 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;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks ; and
- 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.
- d) Overall remuneration practices should be consistent with recognized based practices.
- e) Basic/fixed salary is provided to all employees to ensure that there is a steady income in line with their skills and experience.
- f) To formulate criteria for determining qualifications, positive attributes and independence of a Director.
- g) To formulate criteria for evaluation of Independent Directors and other members of the Board.
- h) To 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.
- i) To formulate criteria and framework for evaluation of Director's performance.
- j) To recommend to the Board the appointment and removal of Directors and SMPs.
- k) To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
- l) To devise a policy on Board diversity, composition and size.
- m) To ensure that it is structured to make appropriate decisions with a combination of variety of perspectives and skills.
- n) Succession planning for replacing Managing / Whole time Directors, KMPs. SMPs and overseeing.
- o) To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- p) To recommend on committee members qualifications, committee member's appointment and removal, committee structure and operation.
- q) To lay out remuneration principles for employees linked to their effort, performance and achievement relating to the Company's goals.
- r) 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.

APPOINTMENT AND REMOVAL OF DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL

- 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 his / her appointment, as per Company's Policy.
- b) A person should possess adequate qualification, expertise and experience for the position he /she is considered for appointment. The Committee has authority to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
- c) The Company shall not appoint or continue the employment of any person as Whole-time Director 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.

TERM / TENURE

a) Managing Director/Whole-time / Executive Director :

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

b) Independent Director:

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. No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, 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.

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 or such other number as may be prescribed under the Act.

EVALUATION

The Committee shall carry out evaluation of performance of Director, KMP, Senior Management Personnel and other employees at yearly or at such intervals as may be considered necessary.

REMOVAL

The Committee may recommend with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

RETIREMENT

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

POLICY FOR REMUNERATION TO DIRECTORS/KMP/SENIOR MANAGEMENT PERSONNEL/OTHER EMPLOYEES

1. Remuneration to Managing Director / Whole-time Directors:

- a) The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Directors, etc. 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 and the approvals obtained from the Members of the Company.

- b) In addition to the basic/fixed salary, benefits, perquisites and allowances as provided above, the Company may provide MD/EDs such remuneration by way of bonus/performance linked incentive and/ or commission calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board, subject to the overall ceilings stipulated in Section 197 of the Act. The specific amount payable to the MD/EDs would be based on performance as evaluated by the Board or the NRC and approved by the Board.
- c) The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.

2. Remuneration to Non- Executive / Independent Directors:

- a. The Non-Executive / Independent Directors may receive sitting fees and such other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors. Quantum of sitting fees may be subject to review on a periodic basis.
- b. The Commission may be paid within the regulatory limits. The aggregate commission payable to all non-executive directors and independent directors shall be commented by the Nomination and Remuneration Committee based on Company's performance, profits, and return to investments. Shareholders value and any other significant parameters as may be decided by the Board.
- c. All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.
- d. An Independent Director shall not be eligible to get Stock Options and also shall not be eligible to participate in any share based payment schemes of the Company.
- e. Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as a part of the remuneration for the purposes of clause (b) above if the following conditions are satisfied:
 - i. The Services are rendered by such Director in his capacity as the professional; and
 - ii. In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.
- f. In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/Board committee meetings, general meetings, court convened meetings, meetings with shareholders/creditors/management, site visits, induction and training organised by

the Company for Directors and in obtaining professional advice from independent advisors in the furtherance of his/her duties as a director.

- g. The NRC shall consider and recommend to the Board the Employee Stock Option/ Purchase Schemes, shall determine the stock options and other share based payments to be made to Directors (other than Independent Directors).

3. Remuneration to Key Managerial Personnel and Senior Management Personnel:

- a. The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.
- b. The NRC shall consider and recommend to the Board the Employee Stock Option/ Purchase Schemes, shall determine the stock options and other share based payments to be made to Key Managerial Personnel and Senior Management.
- c. The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from time to time.
- d. The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

4. Remuneration to other Employees:

- Apart from the Directors, KMPs and SMP, the remuneration for rest of the employees is determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and market conditions. The various remuneration components, basic salary, allowances, perquisites etc. may be combined to ensure an appropriate and balanced remuneration package. The Company may provide a performance linked bonus and/or performance linked incentive and/or long-term incentive as applicable. The performance linked bonus/performance linked incentive would be driven by the outcome of the performance appraisal process and the performance of the Company.
- In addition to the basic/fixed salary, the Company may provide employees with certain perquisites, allowances and benefits to enable a certain level of lifestyle and to offer scope for savings and tax optimisation, where possible. The Company may also provide all employees with a social security net (subject to limits) by covering medical expenses and hospitalisation through reimbursements or insurance cover and accidental death and dismemberment through personal accident insurance.

REVIEW AND AMENDMENT:

- a. The Nomination and Remuneration Committee may review the Policy as and when it deems necessary, make amendments and recommend it to the Board for its approval. However, no such amendment or modification will be binding on the Directors, KMPs, SMPs and other employees unless the same is communicated in the manner described as above.

IMPLEMENTATION

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

PREMIUM ON INSURANCE POLICY

Where any insurance is taken by the Company on behalf of its NEDs, for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration.

Where any insurance is taken by the Company on behalf of its MD/ EDs, KMP and any other employees for indemnifying 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. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

- The Company shall provide retirement benefits as applicable.
