

## **Nomination and Remuneration Policy of Voith Paper Fabrics India Limited**

### **Preface**

The Board has originally constituted its Remuneration Committee on 31<sup>st</sup> January, 2002 as part of good corporate governance practice, since this was one of the non-mandatory requirements of the listing agreement then.

Now, the Companies Act, 2013 and the Listing Agreement with the BSE Limited casts an obligation on the company to formulate and put in place a Nomination & Remuneration Policy, to ensure that appropriate and suitable persons are appointed on the Board of the Company and at the Senior Management Positions (members of the management team of the Company, comprising all members of management one level below the executive/managing director, including all functional heads) and that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors and Senior Management Personnel, of the quality required to run the Company successfully, and the relationship of remuneration to performance, meets appropriate performance benchmarks.

Accordingly, at the board meeting held on 28<sup>th</sup> April, 2014 the said Remuneration Committee was renamed and reconstituted suitably, as the "Nomination and Remuneration Committee" (here-in-after referred to as NRC or Committee). Currently, the NRC is comprised of three directors. An independent director is the Chairman of the NRC.

This Policy has been prepared to achieve the following objectives and purposes:

- ❖ To identify persons who are qualified to become directors, persons who may be appointed as Key Managerial Personnel (KMP) and/or Senior Management Personnel (SMP) in accordance with the criteria laid down in this Policy and to recommend their appointment and removal to the Board.
- ❖ To carry out evaluation of performance of every director and of the Board as a whole.
- ❖ To recommend to the Board regarding remuneration for the directors, KPMs, SMPs and other employees of the Company.
- ❖ To formulate the criteria for determining qualifications, experience, expertise, other attributes and independence of a person to be appointed as a director.

### **Appointment Criteria and Qualifications**

- ❖ The Committee shall, at its sole discretion, consider the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel (KMP) or at Senior Management Position and then recommend to the Board his / her appointment.
- ❖ The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- ❖ Mere possession of requisite qualification, experience & expertise shall not entitle any person to be automatically considered for appointment as a director, KMP or SMP in the company, as a matter of right.
- ❖ The decision of the Committee and/or the Board as regards appointment of an individual to any of the designated position shall always be final.

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### **Term / Tenure**

- ❖ **Executive Director (ED) / Managing Director (MD) / Whole-time Director (WTD):** The Company shall appoint or re-appoint any person as its ED/ MD / WTD for a term not exceeding five years at a time.
- ❖ **Independent Director:** The term of an Independent Director shall be regulated as per the provisions of the Companies Act, 2013 and the Clause 49 of Listing Agreement, as amended from time to time.
- ❖ **Key Management Personnel (KMP) / Senior Management Personnel (SMP):** The term of any person appointed as KMP shall be determined by the Committee and finalized by the Board. However, the terms of appointment for persons to be appointed as SMP may be delegated by the Committee/Board to the person in charge of day-to-day affairs of the company at a given time.

### **Removal**

- ❖ If any disqualification as mentioned in the Companies Act, 2013, or applicable rules made thereunder or under the provisions of any other applicable Act, rules and/or regulations, is attracted by any Director, then the Committee shall recommend to the Board for the removal of such Director, subject to the provisions and compliance of the said Act, rules and/or regulations.
- ❖ If any other employee (including KMP and SMP) of the Company violates the Code of Conduct applicable to them, then the Committee shall recommend their removal to the Board and Board shall take suitable action thereon, as it may deem fit. The Board may delegate to the person in charge of day-to-day affairs of the company at a given time, to take appropriate remedial action in such cases.

### **Retirement**

- ❖ **Directors:** The Directors shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. However, the Board shall have discretion to retain a director in the same position and remuneration or otherwise, even after the director attains retirement, subject to applicable provisions of law.
- ❖ **KMP (excluding ED/MD/WTD) / SMP:** They shall retire as per the normal employment policy of the Company. However, the Board shall have discretion to retain an individual on the same position and remuneration or otherwise, even after the individual attains the retirement age. The Board may delegate to the person in charge of day-to-day affairs of the company at a given time, to take all suitable actions in such cases.

### **Evaluation Criteria**

- ❖ The Committee shall carry out the evaluation of performance of every director and forward the performance evaluation report along with its recommendations, if any, to the Board.

### **Remuneration Criteria**

- ❖ **Executive Director / Managing Director / Whole-time Director:** They shall be paid remuneration comprising of several components (including fixed as well as variable), decided and approved by the Board

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from time to time, on the recommendation of the Committee and also approved by the shareholders and the Central Government, if so required. Such remuneration will be determined according to industry standards, experience, laws and regulations, prevailing market conditions and scale of Company's business relating to the position.

- ❖ **Other Directors:** The Company will remunerate its non-executive Indian directors as under:
  - Sitting Fees: They shall be entitled to receive a sum by way of fees (sitting fee) for attending each meeting of the Board and/or Committee thereof as may be decided by the Board of Directors, from time to time, subject to the maximum amount as may be prescribed by Central Government in this regard.
  - Commission: They may also be paid Commission, not exceeding the maximum overall limits; and in accordance with the applicable provisions of the Companies Act, 2013 or such sum as may be approved by the shareholders and/or central government in this regard.
- ❖ **KMP/SMP:** They shall be paid such remuneration as recommended by the Committee and approved by the Board from time to time. However, for all KMP (except for the MD/WTD) and/or SMP, the Committee/Board may also authorize the person in charge of day-to-day affairs of the company to decide their remuneration.
- ❖ **Other Employees:** The Committee or the Board may authorize the person in charge of day-to-day affairs of the Company, who shall be responsible for determining the remuneration payable to the other employees of the Company, based on their qualification, experience, expertise and their performance.

This Nomination and Remuneration Policy has been formulated by the Nomination and Remuneration Committee of the Board (Committee) and approved by the Board at its meeting held on 23<sup>rd</sup> July, 2014.

The Board shall always have the right to amend this policy at any point of time, whenever it deems necessary to do so.

The contents of this Policy shall also be included in the Board's Report.

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