

“Nomination & Remuneration Policy”



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Adopted by the Board of Directors on February 03, 2016

NOMINATION & REMUNERATION POLICY

(Pursuant to Section 178 of the Companies Act, 2013 and Part D of schedule Ie II (1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015) (Hereinafter called as “LODR”)

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1. INTRODUCTION

In terms of Section 178 of the Companies Act, 2013 and LODR, as amended from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP), and Senior Management and other employees of the Company has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors.

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 and Senior Management employees of the Company and its wholly owned subsidiaries in India and overseas.

1.1. OBJECTIVE OF THE POLICY

The policy is framed with the objective(s):

1. That 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.
2. That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
3. That the remuneration to Directors, Key Managerial Personnel (KMP), and senior management employees of the Company 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.
4. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-executive) and persons who may be appointed in Senior Management, Key Managerial positions and to determine their remuneration.
5. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry.
6. To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company's operations; and
7. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

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8. To lay down criteria for appointment, removal of directors, Key Managerial Personnel and Senior Management Personnel and evaluation of their performance.

In the context of the aforesaid criteria the following policy has been formulated by the Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on May 20, 2015.

1.2. EFFECTIVE DATE

This policy is applicable with immediate effect

1.3. DEFINITIONS

In this Policy unless the context otherwise requires:

1. ‘Act’ means Companies Act, 2013 and rules thereunder.
2. ‘Board of Directors’ or ‘Board’, in relation to the Company, means the collective body of the directors of the Company.
3. ‘Committee’ means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
4. Company means “TD Power Systems Limited” and includes its wholly owned subsidiaries in India & overseas.
5. ‘Directors’ means Directors of the Company and includes its wholly owned subsidiaries in India & overseas.
6. ‘Independent Director’ means a director referred to in Section 149 (6) of the Companies Act, 2013.
7. ‘Whole-time Director’ includes Managing Director and Executive Directors of the Company and its wholly owned subsidiaries in India & overseas.
8. ‘Key Managerial Personnel’ (KMP) means:
 - a. Chief Executive Officer and / or Managing Director
 - b. Whole-time Director
 - c. Chief Financial Officer

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- d. Company Secretary
 - e. Such other officer as may be prescribed
9. ‘Ministry’ means the Ministry of Corporate Affairs
10. ‘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, LODR and such other rules and provisions as applicable to the matters dealt in by this Policy.
11. ‘Senior Management Personnel’ for this purpose shall mean employees of the Company who are members of its core management team excluding Board of Directors. It would comprise all members of management one level below the executive director(s), including the functional / vertical heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

2. NOMINATION AND REMUNERATION COMMITTEE

2.1. GUIDING PRINCIPLES FOR CONSTITUTION OF NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee will consist of three or more non-executive directors, out of which at least one-half shall be independent director(s), provided that chairperson of the Company may be appointed as a member of this Committee but shall not chair such Committee.

The Committee will meet at such intervals as deemed fit to carry out the objectives set out in the Policy. A quorum of two members is required to be present for the proceedings to take place. The Committee members may attend the meeting physically or via permitted audio-visual mode, subject to the provisions of the applicable Regulations. The Committee shall have the authority to call upon such employee(s), senior official(s) and / or externals, as it deems fit to be present at its meetings. The Company Secretary shall act as Secretary to the Committee.

2.2. COMMITTEE MEMBERS

The Nomination and Remuneration Committee comprises of the following Director:

Name	Category	Designation
Dr. Arjun Kalyanpur	Independent Director	Chairman
Mr. Mohib N Khericha	Non-Executive Independent Director	Member
Ms. Nandita Lakshmanan	Independent Director	Member

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3. FUNCTIONS OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee shall, inter-alia, perform the following functions:

1. 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 and shall carry out evaluation of every director’s performance.
2. 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.
3. Ensure that the Board comprises of a balanced combination of Executive Directors and Non-executive Directors and also the Independent Directors.
4. Devise framework to ensure that Directors are inducted through suitable familiarization process covering their roles, responsibility and liability.
5. Oversee the formulation and implementation of ESOP Schemes, its administration, supervision, and formulating detailed terms and conditions in accordance with SEBI Guidelines.
6. Decide / approve details of fixed components and performance linked incentives along with the performance criteria.
7. Devise a policy on Board diversity.
8. Formulate the criteria for evaluation of Independent Directors and the Board.
9. The Nomination and Remuneration Committee shall, formulate the Remuneration Policy of the Company.
10. The Nomination and Remuneration Committee shall assist the Board in ensuring that plans are in place for orderly succession for appointments to the Board and to senior management.

The Chairman of the nomination and remuneration committee could be present at the Annual General Meeting, to answer the shareholders' queries. However, it would be up to the Chairman to decide who should answer the queries.

Provided that Nomination and Remuneration Committee shall set up mechanism to carry out its functions and is further authorized to delegate any / all of its powers to any of the Directors and / or officers of the Company, as deemed necessary for proper and expeditious execution.

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4. APPLICABILITY

This Policy is applicable to:

1. Directors viz. Executive, Non-executive and Independent
2. Key Managerial Personnel under the Companies Act, 2013
3. Senior Management Personnel including CEO & CFO of wholly owned subsidiaries in India & overseas.

5. APPOINTMENT OF DIRECTOR, KMP AND SENIOR MANAGEMENT

1. 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.
2. 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 is sufficient / satisfactory for the concerned position.
3. Appointment of Independent Directors is subject compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV and rules thereunder.
4. 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 based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

6. TERM / TENURE

6.1. WHOLE-TIME DIRECTOR

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

6.2. INDEPENDENT DIRECTOR

Subject to the provisions of the applicable Regulations, 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 and disclosure(s) of such appointment in the Board's report.

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Provided that a person who has already served as an independent director for five years or more in a company as on October 1, 2014 shall be eligible for appointment, on completion of his present term, for one more term of up to five years only.

No Independent Director shall hold office for more than two consecutive terms, 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.

However, if a person who has already served as an Independent Director for 5 years or more in the Company as on 1st October, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he / she shall be eligible for appointment for one more term of 5 years only.

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.

7. FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

1. The Company shall familiarize the independent directors with the Company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc., through various programmes.
2. The details of such familiarisation programmes shall be disclosed on the Company's website and a web link thereto shall also be given in the Annual Report.

8. EVALUATION

The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated) at regular interval (yearly) including at the time of extension/continuance.

9. DISQUALIFICATIONS FOR APPOINTMENT OF DIRECTORS

1. Pursuant to section 164 of the Companies Act, 2013, a person shall not be eligible for appointment as a director of a company if:
 - a. He is of unsound mind and stands so declared by a competent court;
 - b. He is an undischarged insolvent;
 - c. He has applied to be adjudicated as an insolvent and his application is pending;

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- d. He has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

- e. An order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;
 - f. He has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
 - g. He has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or
 - h. He has not complied with sub-section (3) of section 152.
2. No person who is or has been a director of a company which:
- a. Has not filed financial statements or annual returns for any continuous period of three financial years; or
 - b. Has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so

10. REMOVAL

The Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions of the Companies Act, 2013, and all other applicable Acts, Rules and Regulations, if any.

11. RETIREMENT

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Regulations 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.

12. POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

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12.1. GENERAL

1. The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
2. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
3. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.
4. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

13. REMUNERATION TO WHOLE-TIME, KMP AND SENIOR MANAGEMENT PERSONNEL:

13.1. FIXED PAY

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, medical expenses etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

13.2. MINIMUM REMUNERATION

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

13.3. PROVISIONS FOR EXCESS REMUNERATION

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and

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until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

14. REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTOR

14.1. REMUNERATION / COMMISSION:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

14.2. 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 Rs. One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

14.3. PROFIT-LINKED COMMISSION

The profit-linked Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

14.4. STOCK OPTIONS

Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company.

15. DISSEMINATION

The details of the Policy and the evaluation criteria as applicable shall be published on Company’s website and accordingly disclosed in the Annual Report as part of Board’s report therein.

16. AMENDMENTS TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of Nomination and Remuneration Committee can amend this Policy, as and when deemed fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

Bangalore
February 03, 2016

TD Power Systems Limited