

National Engineering Industries Limited

Nomination and Remuneration Policy

1. INTRODUCTION

A transparent, fair and reasonable process for determining the appropriate remuneration at all levels of the Company is required to ensure that the employees remain informed and confident in the management of the Company. To harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013, and the rules made thereunder, as amended from time to time, this Policy on nomination and remuneration of Directors (including non-executive directors) of the Board of Directors, the Key Managerial Personnel, Senior Management has been formulated by the Nomination and Remuneration Committee 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 of the Directors (including non-executive directors), Key Managerial Personnel and Senior Management Personnel and evaluation of performance of Directors.

This Policy is adopted by the Board of Directors on the recommendation of Nomination and Remuneration Committee on June 07, 2021 in replacement of the earlier Remuneration Policy approved on July 24, 2014.

2. DEFINITIONS

- (a) In this Policy unless the context otherwise requires:
- (i) **“Act”** means the Companies Act, 2013 and rules issued thereunder.
 - (ii) **“Board of Directors”** or **“Board”**, in relation to the Company, means the collective body of the directors of the Company.
 - (iii) **“Committee”** means Nomination and Remuneration Committee of the Company, as constituted or reconstituted by the Board.
 - (iv) **“Company”** means National Engineering Industries Limited.
 - (v) **“Director”** means a Director appointed to the Board of the Company.
 - (vi) **“Independent Director”** means a director referred to in Section 149(6) of the Companies Act, 2013.
 - (vii) **“Key Managerial Personnel” (KMP)** shall have the meaning ascribed to it in the Act and the Rules made thereunder.
 - (viii) **“Non-Executive Directors”** includes Independent Directors.
 - (ix) **“Policy”** means this Nomination and Remuneration Policy.
 - (x) **“Senior Management Personnel”** shall mean officers/personnel 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 Chief Executive Officer/Whole-time Director/Manager (including Chief

Executive Officer/ Manager, in case they are not part of the Board of Directors) including functional head.

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

3. OBJECTIVE OF THE POLICY

- a) The objective of this Policy is to outline a framework to ensure that the Company's remuneration levels are aligned with industry practices and are sufficient to attract and retain competent directors on the Board, KMPs and the Senior Management Personnel, while allowing fair rewards for the achievement of key deliverables and enhanced performance. The key objectives of this Policy include:
- i. guiding the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management;
 - ii. specifying the manner for effective evaluation of the performance of the members of the Board individually, Board as a whole and Committees thereof, and review its implementation and compliance.
 - iii. recommending to the Board the remuneration, in whatever form, payable to the Directors, Key Managerial Personnel and Senior Management.
- b) While determining the remuneration for the Directors (including Non-Executive Directors) and KMPs and the Senior Management Personnel, regard should be made to prevailing market conditions, business performance & practices in comparable companies, financial and commercial health of the Company as well as prevailing laws and government/other guidelines, to ensure that pay structures are appropriately aligned and the level of remuneration remain appropriate.
- c) While designing the remuneration package it should be ensured:
- i. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the person, to ensure the quality required to run the Company successfully;
 - ii. there is a balance between fixed and incentive pay, reflecting short-term and long-term performance objectives appropriate to the working of the Company and its goals.
- d) Some part of the remuneration package may be linked to the achievement of corporate performance targets of the Company and a strong alignment of interest with stakeholders.
- e) The Committee may consult with the Chairman of the Board as it deems appropriate.
- f) The Committee shall observe the set of principles and objectives as envisaged under the Act (including Section 178 thereof), rules framed there under including, inter-alia,

principles pertaining to determining qualifications, positives attributes, integrity and independence.

4. APPLICABILITY

This policy is applicable to:

- a) Directors, including Non-Executive Directors;
- b) Key Managerial Personnel; and
- c) Senior Management Personnel.

5. APPOINTMENT OF DIRECTORS, KMP OR SENIOR MANAGEMENT PERSONNEL

- a) The Committee shall identify broad matrix of skill/expertise and competence that the members of the Board of the Company, KMP's and Senior Management Personnel shall possess. While identifying and recommending the appointment of individual, the Committee shall decide whether qualification, expertise and experience possessed by a person are sufficient/satisfactory for the concerned position.
- b) Appointment of Directors and KMP shall also be governed by the provisions of the Act.
- c) The appointment of Directors and KMP shall be done by the Board on the recommendation of Committee.
- d) The appointment of Senior Management Personnel shall be made in accordance with the Human Resource guidelines of the Company, subject to necessary recommendation(s) from the Committee.

6. REMUNERATION

- (i) The remuneration, compensation, commission, etc. to the Directors and KMP 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 members of the Company and Central Government, wherever required.
- (ii) The remuneration and commission to be paid to the Directors shall be as per the statutory provisions of the Act and the rules made there under, for the time being in force.
- (iii) Executive Directors and KMP shall be eligible for a remuneration as may be approved by the Board, on the recommendation of the Committee in accordance with the statutory provisions of the Act and the rules made thereunder, for the time being in force.

- (iv) Any subsequent change/increments in the remuneration of the Executive Directors and KMP shall be approved by the Board in accordance with the recommendation of the Committee, subject to the statutory provisions within the limits approved by the members. Any subsequent change/increments in the remuneration of KMP (other than the Executive Directors) shall be in accordance with Human Resource guidelines of the Company and terms & conditions of their appointment.
- (v) The Executive Directors and KMP shall be reimbursed with the expenses incurred by them as per the applicable policies of the Company, from time to time.
- (vi) The Non-Executive and Independent Directors may receive remuneration by way of fees for attending meetings of Board or Committee thereof, as may be fixed by the Board. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Act, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government, from time to time.
- (vii) The Non-Executive and Independent Directors may be paid Remuneration/Commission within the monetary limit recommended by the Committee and approved by the Board and members, subject to the limit under the applicable provisions of the Act and Articles of Association of the Company. The Non-executive Directors shall be reimbursed with the expenses incurred by them in connection with the Board and Committee meetings.
- (viii) If any Director draws or receives, directly or indirectly, by way of remuneration any such sum in excess of the limits prescribed under the Act or without requisite approvals as may be required under the Act, he/she shall refund such sum to the Company within such time as may be specified by the Committee/Board of Directors and until such sum is refunded, hold it in trust for the Company.
- (ix) The Nomination and Remuneration Committee shall determine from time to time the remuneration payable to the Senior Management Personnel including their increments in consultation with the Chief Executive Officer.
- (x) Where any insurance is taken by the Company on behalf of its Executive Directors, KMP and Senior Management Personnel 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.
- (xi) Remuneration to the Executive Directors, KMP and Senior Management Personnel (**hereinafter referred also as Executives**) may consist of the following components:
 - **Fixed salary:** The fixed salary shall be competitive and reflective of the individual's role, responsibility and experience in relation to performance of

day-to-day activities. The fixed salary shall include basic salary, special pay, and personal pay.

- **House rent allowance:** The Executives shall be entitled to receive house rent allowance, which shall not exceed 60% of the basic salary of the Executive.
- **Variable components:** The Committee may, in its discretion, structure any portion of remuneration to link rewards to corporate and individual performance, fulfilment of specified improvement targets or the attainment of certain financial or other objectives. The amount payable as a variable component is determined by the Committee, based on performance against pre-determined financial and non-financial metrics and shall always be within the limits of the overall guidelines for incentive pay.
 - Performance linked variable pay: The Executives participate in a performance linked variable pay scheme based on the results for the year, pursuant to which the Executives are entitled to performance-based variable remuneration.
 - Long Term Incentive Plan: The Committee may also adopt a Long Term Incentive Plan(LTIP) with the approval of Board to provide incentive compensation for a select group of Executives closely linked to long-term increase of shareholder value of the Company and meeting of certain performance parameters by such executives. LTIP will also aim at retaining the senior executives and creating a high performance culture by differentiating and rewarding executives through competitive positioning of pay.
- **Personal benefits:** The Executives may have access to a number of work-related benefits, including car, telephones, broadband at home, and work-related newspapers and magazines. The extent of individual benefits is negotiated with each individual Executive.

The Executives are covered by the Company's insurance policies:

- Accident insurance
 - Health insurance
 - Directors and officers' liability insurance.
- **Other annual emoluments/retirement benefits:** The Executives may receive other annual emoluments/retirement benefits as per Policy of the Company.

7. EVALUATION OF PERFORMANCE OF DIRECTORS, BOARD AS A WHOLE AND COMMITTEES THEREOF

The Committee shall review the performance of all the Directors excluding Independent Directors, performance of Board and its various Committee and submit its observations with the Chairman of the Board for necessary discussion and consequential action. The performance shall be reviewed for every financial year either at the end of the year or beginning of next year. The performance of Independent Director will be evaluated by the Board.

In addition to the aforesaid, the Independent Directors shall annually:

- a) review the performance of Non-Independent Directors and the Board as a whole; and
- b) review the performance of the Chairman/ Co-Chairman of the Company, taking into account the views of Executive Directors and Non-Executive Directors.

This evaluation will be based on the responses of individual Directors/Committee Members on the structured questionnaires as approved by the Committee. The Committee/Board can also engage any external consultant for the purpose of evaluation.

The Board/Committee may evaluate the Directors on following factors, including:

- a) Attendance at Board meetings and Board Committee meetings;
- b) Chairmanship of the Board and Board Committees;
- c) Contribution and deployment of knowledge and expertise at the Board and Committee meetings;
- d) Guidance and support provided to senior management of the Company outside the Board meetings;
- e) Independence of behaviour and judgment; and
- f) Impact and influence etc.

The evaluation of the Independent Directors which shall among other factors, include-

- a) Performance of the Directors;
- b) Fulfilment of the independent criteria.

8. REMOVAL

Any Director may be removed from the Board in accordance with the provisions of the Act. The Committee may also recommend, to the Board with reasons recorded in writing, removal of a Director, KMP and Senior Management subject to the provisions and compliance of the applicable Act, rules and regulations, if any. Any removal of an Executive Director shall be subject to the terms and conditions of his/her appointment.

9. DISCLOSURE

This Policy also be placed on the website of the Company. Further, as per the provisions of the Act, as amended from time to time, the necessary disclosures of this Policy shall be given in the Board's Report.

10. DEVIATION FROM THE POLICY

The Board may, in individual or collective case, deviate from this Policy, in its absolute discretion, if there are particular reasons to do so. In the event of any departure from the Policy, the Board shall record the reasons for such departure in the Board's minutes.

11. REVIEW AND AMENDMENT OF THE POLICY

The Board shall review the Policy from time to time based on the changing needs and make suitable modifications as may be necessary. The Board can also amend the Policy as per the recommendations of the Committee, 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.

Date: 07-06-2021

Place: Kolkata