

## **NOMINATION AND REMUNERATION POLICY**

LMW Limited (formerly known as Lakshmi Machine Works Limited) (the Company) believes in the fact that human resource asset is one of the vital factors which determines the success and sustainability of an organization. A committed work force is an invaluable asset for an organization. To achieve this end in view, the Company has framed this Nomination and Remuneration policy.

The Nomination and Remuneration Policy (“the Policy”) of the Company is designed to attract, motivate and retain manpower in a competitive market environment. The policy reflects the Company's objectives for good Corporate Governance as well as sustained long-term value creation for stakeholders.

Section 178 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, also require the Company to formulate a policy relating to Nomination and Remuneration of Board of Directors, Senior Management and Key Managerial Personnel. The responsibility of formulating the policy for the Company is cast on the Nomination and Remuneration Committee of the Board of Directors of the Company.

Accordingly, the Nomination and Remuneration Committee of Board of Directors of the Company have formulated and recommended this policy to the Board and the same is approved by the Board of Directors of the Company.

### **GUIDING PRINCIPLES**

The Nomination and Remuneration Policy is guided by a common reward framework and a set of principles & objectives as envisaged under Section 178 of the Companies Act, 2013 and Companies (Meetings of Board and its Powers) Rules, 2014, inter-alia principles pertaining to determining qualifications, positive attributes and independence of the Directors, integrity, etc.

The Nomination and Remuneration Committee, while considering a remuneration package should keep in view a balance between fixed pay and performance based variable pay reflecting short and long term performance objectives and goals of the Company.

The Nomination and Remuneration Committee, should ensure that the remuneration package have a direct relationship with the key result areas and individual achievements and thereby strongly aligning with the interests of the company's stakeholders.

### **SCOPE OF THE POLICY**

The scope of this policy is to:

- Guide the Board in matters relating to selection, appointment and removal of Directors, Senior Management Personnel and Key Managerial Personnel.
- Determine criteria for evaluation of performance of members of the Board, including Independent Directors.
- To determine whether to extend or continue the term of appointment of the Independent Director.

- Lay down guiding principle for remuneration payable to Executive Directors, Non-Executive Directors and Senior Management Personnel and Key Managerial Personnel.
- Determine the criteria for qualifications, positive attributes, and independence of Directors.
- Devising criteria for board diversity.
- Develop succession plan for the Board, Senior Management and Key Managerial Personnel.

## **DEFINITIONS**

**Act:** means the Companies Act, 2013 including schedules annexed thereto and the Rules framed thereunder.

**Board:** means the Board of Directors of the Company.

**Committee:** refers to the Nomination and Remuneration Committee of the Board of Directors.

**Senior Management:** refers to the persons as mentioned in Regulation 16(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**Key managerial Personnel:** means a person as defined in Section 2(51) of the Act.

Words and expressions used in this policy not specifically defined will have the same meaning assigned to them in the Act, Rules framed thereunder, and the applicable SEBI Regulations.

## **APPOINTMENT CRITERIA AND QUALIFICATIONS**

The Committee shall identify persons with suitable / desirable educational qualification, rich experience and expertise, integrity, desirable personal traits & leadership qualities and recommend to the Board for appointment as Director, KMP or at Senior Management level. The appointee should possess appropriate skills, knowledge, experience in one or more fields of finance, accounts, audit, law, management, sales, marketing, administration, research, corporate governance, technical operation or other disciplines related to the Company's business. The Committee has the discretion to decide on the age, qualification, expertise and experience to be possessed by the appointee for the concerned position depending up on the circumstances of each case.

### **Managing Director / Whole-time Director**

The Company should appoint or re-appoint any person as its Managing Director, or Wholetime Director for a term not exceeding five years at a time. No re-appointment should be made earlier than one year before the expiry of the original term of appointment.

The Company should appoint or continue the employment of any person as Managing Director or Wholetime Director who has attained the age of 21 years and not 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. The explanatory statement annexed to the notice for such motion should indicate the justification for extension of appointment beyond seventy years.

In case, no such Special Resolution is passed but votes cast in favour of the motion exceed the votes, if any, cast against the motion and the Central Government is satisfied on an application made by the Board, that such appointment is most beneficial to the Company, the appointment of the person who has attained the age of seventy years may be made.

### **Independent Directors**

An Independent Director can hold office for a term up to five consecutive years on the Board of the Company and would be eligible for re-appointment for another term of five consecutive years on passing of a Members' Special Resolution by the Company and the Board's report should disclose the justification for such appointment.

No Independent Director should hold office for more than two consecutive terms, but such Independent Director would be eligible for appointment as Independent Director after expiry of three years of ceasing to be an Independent Director. Provided that an Independent Director should 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 and at all times thereafter during the tenure as 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 Managing Director / Wholetime Director of a listed Company or such other number as may be prescribed under the Act.

### **Non-Executive and Non-Independent Directors**

The qualification criteria as stated above is applicable for the Non-Executive and Non-Independent Directors also including Nominee Directors, however such Directors are liable for retirement by rotation. Non-Executive Directors can hold office till 75 years of age. Provided that the term of the person holding such position may be extended beyond the age of seventy five years with necessary approval of shareholder.

### **Senior Management Personnel and KMPs not covered above**

The Committee will fix and recommend the age, qualification and experience for persons to be appointed to the Senior Management positions depending up on the functional area where he / she is going to be appointed. Keeping in view of the specific requirement of the Senior Management / KMP position to be filled up, the Committee would select the appointees in line with the recruitment policy of the Company, if applicable the conditions as laid by the Act or SEBI Regulations and recommend to the Board for appointment.

## **Board Diversity**

The Committee should always review the constitution of the Board and recommend for reconstitution of the Board, whenever required, so as to ensure that the Board always consists of members with diversified skill, knowledge, experience and expertise to meet the changing requirements of the Company's business. The Committee should always ensure a balanced Board, consisting of members, each of them are experts in one or more functions of management. The Committee shall also consider applicable Sections of the Act / SEBI Regulations while re-constituting the Board.

## **Evaluation**

The Committee will devise suitable evaluation criteria and carry out evaluation of performance of every Director, KMP and Senior Management Personnel every year. The evaluation criteria shall include measures to test the skill, competencies, diligence, leadership, attendance, commitment, counseling, loyalty and contribution.

## **Removal**

Where any Director, Senior Management Personnel or KMP attract any disqualification mentioned in the Act or under any other applicable Law, Rules or Regulations made thereunder, 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 and compliance of the Act, Rules or SEBI Regulations.

## **Retirement**

The Non-Independent and Non-Executive Directors are liable to retire by rotation as per the provisions of the Act. The KMPs and Senior Management Personnel shall retire as per the applicable provisions of the Act and / or the prevailing employees retirement policy of the Company. The Board will have the discretion to retain the Director (other than an independent Director), KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, if it is felt essential for the benefit of the Company.

## **Succession**

The Committee should plan in advance and recommend constitution of the Board of Directors, Senior Management Personnel & KMPs of the Company in such a way that it consist of a combination of members of all age group so as to ensure smooth succession at all times.

## **POLICY RELATING TO THE REMUNERATION**

### **A. Remuneration of Executive Directors**

The remuneration / fee / compensation / commission etc. payable to the Managing Director and Wholetime Director, should be determined by the Committee and recommended to the Board for approval. The remuneration package to be recommended for the Managing Director and Wholetime Director should be in accordance with the provisions of the Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

## **Fixed Pay**

The Managing Director and Wholetime Director are eligible for a fixed monthly salary and perquisites as may be recommended by the Committee and approved by the Board. The breakup of the pay scale and quantum of perquisites including, salary, house rent allowance, leave travel assistance, employer's contribution to P.F, Gratuity Fund, medical expenses, club fees, Company car with driver & telephone for official purposes etc. shall be decided by the Board on the recommendation of the Committee and approved by the shareholders.

## **Variable Pay - Commission on Net Profits**

In addition to the fixed salary and perquisites as stated above, the Managing Director and Wholetime Directors are also entitled to a variable pay viz. Commission on the Net Profits of the Company at the rates recommended by the Committee subject to the overall limits prescribed in the Act and / or SEBI Regulations. On the recommendation of the Committee and at the absolute discretion of the Board of Directors the payment of variable pay may be made applicable to all or any of the Executive Directors and at different rates to different Executive Directors.

## **Minimum Remuneration**

If, in any Financial Year, the Company has no profits or its profits are inadequate, the Company should pay remuneration to its Managing Director and Wholetime Director in accordance with the provisions of Schedule V of the Act, the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

## **Provisions For Excess Remuneration**

If the Managing Director and Wholetime Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act and / or SEBI Regulations without the prior sanction of the Shareholders, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall waive recovery of such sum refundable to it in compliance with the Act and / or SEBI Regulations

## **Others**

The Company is not offering sitting fees, stock option scheme, severance fees or any other perquisites, other than those stated above, for the Managing Director and Wholetime Directors.

## **B. Remuneration of Non-Executive Directors**

Non-Executive Directors' compensation include, payment of a fixed amount as sitting fees for attending the meeting of the Board and Committees thereof and a Commission on the Net Profits.

**Sitting Fees**

The Non-Executive Directors, both Independent and Non-Independent are entitled to receive remuneration by way of sitting fees for attending meetings of Board and Sub-Committees of the Board, Independent Directors Meeting and any meetings involving the Board of Directors as may be recommended by the Committee and approved by the Board within the limits prescribed by the Act or the Rules framed thereunder.

**Commission**

The Non-Executive Directors are also entitled to a Commission on the Net Profits of the Company at a fixed amount approved by the shareholders. The overall commission payable to all the Non-Executive Directors should not exceed the limit as prescribed under the Act and shall be in compliance with the Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**Reimbursement of Expenses**

The Company should reimburse to the Directors, all the travelling and other out of pocket expenses incurred by them in attending the Meetings of the Board meetings, Meetings of Board Committees, Independent Directors Meeting, any meetings involving the Board of Directors and the General Body Meetings.

**Stock Options**

The Company is not offering any stock option to the Non-executive Directors of the Company.

**Remuneration for the Senior Management and KMPs not covered above**

The remuneration to the Senior Management Personnel and KMPs not covered under the above categories are determined by the Management on the recommendation of the Committee and approval by the Board. It includes monthly, quarterly and annual payments. The categories of such payment may be including but not limited to Basic salary, dearness allowance, house rent allowance, special allowance, additional special allowance, ad-hoc, conveyance reimbursement, annual leave travel assistance, leave encashment, contribution to provident fund and gratuity fund. The package also include, performance linked payments like annual ex-gratia, monthly profit sharing.

**DIRECTORS AND OFFICERS LIABILITY INSURANCE**

The Company should arrange for Directors' and Officers' Liability Insurance policy to protect from the statutory liability if any of the Managing Director and Wholetime Director(s), Independent Director(s), Non-Executive Director(s), Non-Independent Director(s), Key Managerial Personnel and Senior Management Personnel. The premium payable 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 should be treated as part of the remuneration.

**DEVIATION FROM THE POLICY**

Deviation from any element of this policy in extra-ordinary circumstances, when deemed necessary in the interest of the Company may be accepted in specific cases by Board of Directors on the recommendation of the Committee.

**AMENDMENTS**

The Managing Director is authorised to make minor modifications to this policy which will remove ambiguities, enhance clarity on the provisions of the laws, etc.

The Committee can recommend amendments to this policy to the Board of Directors, as may be required to be in line with the changes, amendments and modifications if any in the Companies Act, 2013 and Rules made thereunder and SEBI Regulations.

In case of any amendment, clarification, circular, notification etc. issued by a competent authority, which is not consistent with the provisions laid down under this Policy, the provisions of such amendment, clarification, circular, notification, etc. shall prevail and this policy shall stand amended accordingly, without any further action, on and from the date on which such amendment, clarification, circular, notification comes in to effect.

Policy amended as on 06.02.2017