# NOMINATION &

# REMUNERATION

# POLICY

# OF

# RICO AUTO INDUSTRIES LIMITED

## 1. Background

This policy shall be called "Policy on Nomination & Remuneration" (hereinafter referred to as **"Nomination & Remuneration Policy**").

The Remuneration Policy of the Company is designed to keep pace with the business environment and market linked positioning and to attract, motivate, improve productivity and retain manpower, by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages.

## 2. Scope & Purpose

The Company has constituted a Nomination and Remuneration Committee ("**Committee**"), which determines and recommends to the Board the appointment and remuneration payable to Directors, Key Managerial Personnel (KMP), Senior Management and other Employees. The existing remuneration structure of the Company consists of a fixed component and a variable component linked to the long-term vision, medium term goals and annual business plans. The Nomination and Remuneration Committee of the Company also reviews and recommends the quantum and payment of annual salary and commission and other employment conditions of the Directors, Key Managerial Personnel (KMP), Senior Management and other Employees. The Committee takes into consideration the best remuneration practices being followed in the industry while fixing appropriate remuneration packages. The policy is updated as per Regulation 19 read with Part D of Schedule II of SEBI (LODR) 2015.

## 3. Definitions

3.1 "**Act**" means the Companies Act, 2013 and rules made thereunder.

3.2 "**Board of Directors**" or the "**Board**" shall mean the Board of Directors of the Company, as constituted from time to time.

3.3 "**Company**" means Rico Auto Industries Limited.

3.4 "**Key Managerial Personnel**", shall have the meaning as defined under the Act and includes:

3.4.1 Managing Director or Chief Executive Officer or Manager;
3.4.2 Whole-Time Director or a Director designated as an Executive Director on the Board;
3.4.3 Company Secretary;
3.4.4 Chief Financial Officer and
3.4.5 such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board.

3.5 "**Other Employees**" means, all the employees other than the Directors, KMPs and the Senior Management Personnel.

3.6 "**Senior Management**" means personnel of the Company who are members of its core management team other than the Board of Directors. It comprises of all members of the management who are one level below the Executive Directors and include the functional heads.

All the words and expressions used in this Policy, unless defined hereinafter, shall have meaning respectively assigned to them under the listing agreement and in the absence of its definition or explanation therein, as per the Act and the rules, notifications and circulars made/issued thereunder, as amended, from time to time.

## 4. Key Principles of the Policy

While designing compensation for Directors, Key Managerial Personnel and Senior Management, the following set of principles act as guiding factors:

a) Aligning key executive and board remuneration with the longer term interests of the Company and its shareholders;
b) Minimize complexity and ensure transparency;
c) Link to long term strategy as well as annual business performance of the Company;
d) Promotes a culture of meritocracy and is linked to key performance and business drivers; and
e) Reflective of line expertise, market competitiveness so as to attract the best talent.

## 5. Nomination and Remuneration Committee

a. Constitution: The Board of Directors shall constitute the Nomination and Remuneration Committee as follows:

   a) The Committee shall comprise of at least three Directors;
   b) All Directors of the Committee shall be Non-executive Directors; and
   c) At least fifty percent of the Directors shall be Independent Directors and in case of a listed entity having outstanding SR equity shares, two thirds of the Nomination and Remuneration Committee shall comprise of Independent Directors.

   The Chairperson of the nomination and remuneration committee shall be an Independent Director. Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.

b. Role and Responsibility: The Nomination and Remuneration Committee is responsible for:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees.
- Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors.
- Devising a policy on diversity of Board of Directors
- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal.
- Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.

**6. Appointment Criteria and Qualification for Directors**

i) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Whole Time Directors and Independent Directors and recommend to the Board for approval.

ii) A person should possess adequate qualification, expertise and experience for the position he/she is considered for appointment.

iii) The Company shall not appoint or continue the employment of any person as a 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.

The Company shall not appoint or continue the employment of any person as Non-Executive Director who has attained the age of seventy-five years.

Provided that the term of the person holding this position may be extended beyond the age of seventy-five 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-five years.

iv) The provisions of Companies Act, 2013, Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be followed for appointment and qualification criteria for Independent Directors/Non-Independent Non-Executive Directors.

## 7. Term/Tenure

i) Whole-time Director:

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

ii) 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 and disclosure of such appointment in the Board's report.

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.

## 8. Remuneration to Executive Directors

The remuneration to Executive Directors is recommended by the Nomination and Remuneration Committee and approved by the Board, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.

At the Board Meeting, the Non-Executive, Independent Directors and MD & CEO (in case of WTD) shall participate in approving the remuneration of the Executive Directors. The remuneration is arrived by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the Company.

The elements of the remuneration and limits are pursuant to overall limits provided under Section 197 of Act & Schedule V of the Act & rules made thereunder and Listing Agreement entered into with the Stock Exchange(s) where the equity shares of the Company are listed pursuant to SEBI Regulations from time to time.

## 9. Remuneration Structure for Executive Directors

The remuneration structure for the Executive Directors would include the following components:

### Fixed Salary

a) Each Executive Director shall be paid fixed salary consisting of basic salary and such allowances and perquisites as may be approved by Board based on recommendation of Committee and performance evaluation of each Executive Director from time to time, subject to overall limits as prescribed under the Act;

b) Remuneration be subject to an annual increase as per recommendations of the Nomination and Remuneration Committee and approval of the Board of Directors or Chairman and Managing Director shall be merit based and will take into account the performance of the appointee as well as that to the Company;

c) Commission;

   (i) Executive Directors will be allowed remuneration, by wayof commission which is in addition to the basic salary,perquisites and any other allowances, benefits and amenities;

   (ii) Subject to the condition that the amount of commission to be paid to Directors shall not exceed the overall limits of 5% of net profit of the Company in a particular financial year in the manner referred in Section 197 & 198 of the Act; and

   (iii) The amount of commission shall be paid subject to recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors.

### Perquisites and Allowances

Perquisites and Allowances as per company policy would form a part of the remuneration structure as mentioned above.

This shall be as per evaluation under Income Tax Act & Rules amended from time to time.

### Non-Monetary Benefits

Amenities or other Benefits such as telephone, mobile, insurance cover as per the rules & policies of the company and such other facilities as decided by Board from time to time.

**Performance Incentive**

As per the rules and policies of the Company.

**Contribution to Provident and Other funds as per company policy:**

In addition to the above, the remuneration would also include:

a) Contribution to Provident and Superannuation Funds; and
b) Gratuity

**Minimum Remuneration**

If in any financial year during the tenure of the Executive Directors, the Company has no profits or its profits are inadequate, they shall be entitled to, by way of basic salary,perquisites, allowances, not exceeding the ceiling limit specified under Schedule V of the Act or such other limits as prescribedby the Government from time to time as minimum remuneration, subject to necessary approval, if any.

**Remuneration to Non-Executive and Independent Directors**

The Non-Executive and Independent Directors would be paid remuneration by way of sitting fees for attending meetings ofBoard or Committee thereof and profit related commission asapproved by the Board and Shareholders. The amount of such sitting fees and commission shall be subject to ceiling/limits as provided under the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

**10. Remuneration for Key Managerial Personnel (KMP) and Senior Management and other Employees**

**(i) Key Managerial Personnel (KMP) and Senior Management (other than MD/WTD)**

The Remuneration shall be paid to Senior Management Personnel and KMPs shall be based on the remuneration policy of the Company and the experience, qualification and expertise of the related personnel and shall be decided by the Chairman, CEO & Managing Director (for KMPs other than those who are at the WTD/Board level) of the Company as per the internal process in consonance with the limits, if any, prescribed under the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

The compensation for the Key Managerial Personnel and the Senior Management at the Company would be guided by the external competitiveness and internal parity through annual benchmarking surveys.

**(ii) Other Employees**

The power to decide structure of remuneration for other employees has been designed in the Remuneration policy and implementation of the same is to be ensured by Chairman, CEO & Managing Director of the Company or any other personnel that the Chairman, CEO & ManagingDirector may deem fit to delegate.

## 11. Grade Structure

Employees are assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the Company. Individual remuneration is determined within the appropriate grade and is based on following:

- An individual's experience, skill, competencies and knowledge relevantto the job; and
- An individual's performance and potential contribution to the Company.

## 12. Directors & Officers Liability Insurance

The Company may take Directors & Officers liability insurance or such insurance of like nature for indemnifying any of the Directors or its KMP against any liability in respect of any negligence, default, misfeasance, breach of duty or 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 remuneration payable to Managing Director, Whole Time Director, Chief Executive Officer, Chief Financial Officer or Company Secretary. Provided that if any such person is proved to be guilty, the premium paid shall be treated as part of the remuneration.

## 13. Stock Options

The Committee may recommend issue of stock options to directors (other than independent directors and promoter directors) or KMP / SMP which may be granted by the Board subject to the compliance of the provisions of applicable laws.

## 14. Criteria for Evaluation of Board

The evaluation of Board shall be carried out annually as per provisions of the Act including rules thereof and Listing Regulations. Performance Evaluation of each director will be based on the criteria as laid down from time to time by the Nomination and Remuneration Committee.

### i. Executive Director

Performance evaluation of each Executive Director will be based on achievement against the key short and long term performance objectives, which in turn would be aligned towards the Company's overall Vision and strategic objectives.

### ii. Non-Executive Director

Performance evaluation of each Non-Executive Director will be based on attendance in board and its committee meeting, membership/ chairmanship of the committees of the Board, time devoted for the Company, contribution in the Board process and such other criteria as may be considered by the Committee from time to time.

## 15. General

**A. Review:** This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in regulations or as appropriate by the Committee. Any changes or modification to the policy as recommended by the Committee would be placed before the Board of Directors for their approval.

**B. Disclosure:** A copy of this Policy will be made available on the website of the Company's for public information.