

## **NOMINATION AND REMUNERATION POLICY**

### **Preamble**

In accordance with the requirements under Section 178 of the Companies Act, 2013 (Act) and Clause 49 of Listing Agreement executed between the Stock Exchanges and the Listing Companies, the Nomination and Remuneration Committee of Directors (“NRC”) and approved by the Board of Directors of TVS Electronics Limited (TVSE) has formulated this Nomination and Remuneration Policy (Policy) to govern the terms of nomination / appointment and remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel (SMP)

### **1. Objective and Purpose**

The fundamental objectives of NRC are as follows:

- 1.1 Guiding the Board of TVSE (Board) to lay down the terms and conditions in relation to appointment and removal of Director(s), KMP and SMP of TVSE.
- 1.2 Evaluating the performance of the Director(s) and providing necessary report to the Board for its further evaluation and consideration.
- 1.3 Recommending to the Board on remuneration payable to the Director(s), KMP and SMP of TVSE Board on TVSE’s Structure and financial performance and remuneration trends and practices that prevail in peer companies across the industry.
- 1.4 Retaining, motivating and promoting talent among the employees and ensuring long term sustainability of talented SMP by creation of competitive advantage through a structured talent review.
- 1.5 Devise a policy on diversity in the Board.
- 1.6 Develop a succession plan for the Board and the SMP.

In the context of the aforesaid criteria, this Policy has been formulated by the NRC and adopted by the Board at its meeting held on \_\_\_\_\_.

## **2. Definitions**

- 2.1 **“KMP”** means and includes Chief Executive Officer, Managing Director, Whole time Director, Manager, Chief Financial Officer and Company Secretary of TVSE and any other employee of TVSE as identified by the Board;
- 2.2 **“SMP”** means Presidents, Vice Presidents and General Managers of TVSE, who are members of TVSE’s core management team, being the functional heads, excluding the board.

Unless the context otherwise requires, the ‘words and expression’ used in this policy and not defined herein but defined in the Act, as may be amended, from time to time, shall have the same meaning assigned to them therein.

## **3. Applicability**

This Policy is applicable to all Directors, KMP and SMP of TVSE.

## **4. Role of NRC**

**The role / scope of the NRC shall be as follows:**

- 4.1 To make recommendations to the Board with respect to incentive compensation plans for the executive directors and remuneration of non executive directors.
- 4.2 To identify persons who are qualified to become Directors, KMP and SMP.
- 4.3 To recommend to the Board for appointment / removal of Directors, KMP and SMP of TVSE and carry out evaluation of every Director’s performance in its annual report.
- 4.4 To formulate criteria for determining qualification, positive attributes and independence of a Director.
- 4.5 To recommend to the Board a policy for remuneration of Directors, KMP and SMP
- 4.6 To formulate policies to ensure that-
- i. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run TVSE
  - ii. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and

- iii. Remuneration to Directors, KMP and SMP involve balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of TVSE and its goals.

4.7 To review the annual performance of executive and non executive directors.

4.8 To annually review the duties and performance of the chairman of the Board and recommend the process to the Board for his election.

4.9 To assist the Board in the establishment and implementation of an appropriate performance evaluation / self assessment process for the members of the Board and the Committees.

4.10 To perform review and evaluation, of the performance of the member of the Board and the committee members, at least annually.

4.11 To periodically review the composition and duties of TVSE's permanent committees and recommend any changes in these committees to the Board.

4.12 To consider the adequacy of the constituent documents of TVSE.

4.13 To formulate a criteria for evaluation of independent director and the Board.

4.14 To devise a policy on Board diversity.

4.15 To carry out any other responsibilities and duties delegated to it by the Board from time to time.

4.16 To carry out additional functions and adopt additional policies and procedures as may be required or appropriate in light of changing business, legislative, regulatory, legal or other conditions.

## **5. Composition and quorum of the NRC**

5.1 NRC shall consist of a minimum 3 (three) non executive directors, at least one-half of them being independent directors. The Chairman of the NRC shall be an Independent Director. Chairman of the Board may be appointed as a member of the NRC but shall not chair the NRC. The Company Secretary of TVSE shall act as the secretary to the NRC.

5.2 At least 2 members shall constitute a valid quorum for the NRC meeting. NRC may invite any executives of TVSE, as it considers appropriate, to be present at the meetings of NRC. A member is not entitled to be present when his / her remuneration is discussed or performance is evaluated at NRC meeting.

5.3 The term of the NRC shall be continued unless terminated by the Board and the membership of the Committee shall be disclosed in the annual report of TVSE.

## **6. Voting**

Matters arising for determination at NRC meetings shall be decided by majority of votes of members present and any decision arrived at by the members shall for all purposes be deemed a decision of the NRC. The chairman of NRC shall have a casting vote in case of tie of votes.

## **7. Meetings of NRC**

The meeting of the NRC shall be held at such time and interval as may be required.

## **8. Appointment of Directors, KMP and SMP of TVSE**

8.1 NRC shall identify, ascertain the integrity, qualification, expertise, experience of a person and recommend to the Board for his / her appointment as director, KMP and SMP of TVSE.

8.2 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 are sufficient / satisfactory for the concerned position.

8.3 NRC shall ensure that any person who is / are appointed or continues in the employment of TVSE as its executive chairman, managing director, whole time director should comply with the conditions as laid out under Part I of Schedule V of the Act.

8.4 NRC shall ensure that any appointment of a person as an independent director of TVSE shall be made in accordance with the provisions of section 149 read with Schedule IV of the Companies Act 2013 along with any other applicable provisions and clause 49 of the Listing Agreement.

## **9. Tenure of appointment**

### **9.1 Executive Directors**

Board shall, on the recommendation of NRC, appoint / re-appoint any person as its Executive Chairman, Managing Director, Whole Time Director or by whatever name called, for a term not exceeding 5 years at a time. Further, no re-appointment of such person shall be made at a time earlier than one year before the expiry of the term.

### **9.2 Independent Director**

9.2.1 NRC shall ensure that an Independent Director appointed on the Board shall hold office for a term of 5 consecutive years and he/ she shall be eligible for reappointment on passing of a special resolution by TVSE and disclosure of such appointment in the Board's report.

9.2.2 Further, NRC shall ensure that no independent director shall hold office for more than 2 consecutive terms, but the independent directors shall be eligible for appointment after expiry of 3 years of ceasing to become an independent director. provided that such independent director shall not, during the said period of 3 years, be appointed in or be associated with TVSE in any other capacity, either directly or indirectly.

## **10. Evaluation**

The NRC shall carry out evaluation of performance of each director, KMP and SMP of TVSE on a yearly basis.

The Committee shall monitor and review Board evaluation framework, conduct an assessment of the performance of the Board, each Board Committee, the Independent directors and the Chair of the Board against criteria as determined and approved by the Committee.

The performance evaluation of Independent Directors shall be done by the entire Board of Directors, on the basis of recommendations of the Committee (excluding the director being evaluated).

The Committee may invite such executives, as it considers appropriate to be present at the meetings of the Committee.

## **11. Removal**

NRC shall recommend to the Board, with reasons recorded in writing, for removal / suspension of any Directors, KMP and SMP of TVSE if any of such aforementioned person(s), due to any reason(s), are eligible for disqualification under the provisions of the Act or any rules made thereunder or under any other applicable law.

## **12. Retirement**

The Director, KMP and SMP of TVSE shall be eligible for retirement as per the applicable provisions of the Companies Act 2013 and any prevailing policy of TVSE in relation to retirement of employees. However, the Board shall have the discretion to retain the services of such persons even after their retirement.

## **13. Remuneration**

### **13.1 Executive Director(s)**

**13.1.1** NRC shall determine the remuneration payable to the executive Director(s) and recommend to the Board for its approval. The Board's approval shall be subject to the prior approval or post approval ratification of the shareholders of the Company and / or central government, if required under applicable law. The remuneration payable to the executive chairman, managing director and whole time director of TVSE shall be in accordance with the applicable percentages / slabs / conditions as setout in the articles of association of TVSE and Act and any rules made thereunder, which may be in force from time to time.

**13.1.2** Where TVSE is required to avail any insurance on behalf of its executive directors for indemnifying them against any liabilities, the same shall be availed by the Board and the premium payable on such insurance shall not be treated as part of the remuneration payable by TVSE to any such personnel. However, in the event that such executive director is proved guilty resulting in an insurance claim against TVSE, any premium paid on such insurance shall be treated as part of the remuneration of the executive directors, responsible for such claim.

### **13.2 Non Executive / Independent Director**

The non – executive / independent Director shall receive remuneration by way of fees for attending meetings of Board or any committee in which Director is member, at such amounts as may be determined by the Board of Directors, from time to time, subject to the maximum limit as specified under the Companies Act, 2013.

### **13.3 Remuneration to KMPs and SMPs**

NRC shall recommend to the Board and the Board will approve the remuneration payable to KMP, who is / are not an executive director and SMP of TVSE. The break-up of the remuneration payable to KMP and SMP of TVSE including the perquisites such as employers contribution to provident fund, pension scheme, medical expenses, club fees and like shall also be approved by the Board on the recommendations received from the NRC.

## **14. Equity based remuneration**

14.1 Subject to the provisions of the Act, all Directors, KMP, SMP of TVSE shall be entitled to avail any stock options or any other benefits, except for:

- i. An employee, who is promoter(s) or relative(s) of the promoters
- ii. Any Director(s) holding more than 10% equity shares of TVSE either directly or indirectly.

14.2 The equity based remuneration to managing director, whole time director and executive chairman, if any shall be subject to limits prescribed under the Act or any rules framed thereunder and any other applicable law including securities laws in India.

14.3 An independent director shall not be entitled to take part in stock option plan from 1<sup>st</sup> April, 2014.

## **15. Minimum remuneration**

If, in any financial year, TVSE has no profits or inadequate profits, it shall pay remuneration to its Executive Chairman, Managing Director and Whole Time Director in accordance with the provisions of Schedule V of the Act, provided that any deviation in remuneration from the provisions of Schedule V of the Act shall be subject to the approval of shareholders or central government, as the case may be.

## **16. Authority**

The Committee shall have free access to management and management information. The committee, at its sole authority, may seek the advice of outside experts or consultants at the Company's expenses where judged necessary, to discharge its duties and responsibilities.

## **17. Implementation and Review**

NRC is responsible for monitoring, implementation and review of this Policy. NRC shall provide recommendations to the Board as to how to effectively structure and facilitate a remuneration strategy, which will meet the needs of TVSE. The Board shall review the contents of compliance with the Policy at regular interval.

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