

## **KAJARIA CERAMICS LIMITED**

### **NOMINATION AND REMUNERATION POLICY**

#### **1. PREAMBLE**

The Nomination and Remuneration Policy of Kajaria Ceramics Limited ('the Company') was originally formulated pursuant to the provisions of Section 178 of the Companies Act, 2013 and rules made thereunder ('the Act') read with provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI's Notification dated May 9, 2018 including amendments/modifications thereof (the 'Listing Regulations') and revised in accordance with the provisions the Act and the Listing Regulations.

This Policy is designed 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 and superannuation benefits. The Policy reflects the Company's objectives for good corporate governance as well as sustained long term value creation for shareholders.

This Policy applies to Directors, Senior Management including Key Managerial Personnel ('KMPs') of the Company.

#### **2. OBJECTIVES**

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors and persons who may be appointed in Senior Management and Key Managerial positions.
- To determine remuneration based on the Company's size and financial position, cost of living, and trends and practices on remuneration prevailing in peer companies, in the tile industry.
- To carry out evaluation of the performance of Directors, as well as Key Managerial Personnel and Senior Management Personnel.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

#### **3. DEFINITIONS**

'**The Act**' means the Companies Act, 2013 and rules made thereunder, as amended from time to time.

'**The Board**' means Board of Directors of the Company.

'**Director**' means a Director appointed to the Board of the Company.

'**Independent Director**' means a Director referred to in Section 149(6) of the Companies Act, 2013 read with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**‘Key Managerial Personnel’** in relation to a Company means:

- The Managing Director / Joint Managing Director / Chief Executive Officer or Manager and in their absence, a Whole-time Director;
- Chief Financial Officer;
- Company Secretary; and
- Such other officer(s), as may be prescribed.

**‘Nomination and Remuneration Committee’** or **‘Committee’** shall mean a Committee of the Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act and the Listing Regulations.

**‘Policy’** means Nomination and Remuneration Policy of the Company.

**‘Senior Management’** shall mean officers/personnel of the Company, who are members of its core management team excluding Board of Directors and this shall comprise all members of management one level below the Chief Executive Officer/Managing Director/Whole-time Director (including Chief Executive Officer, in case he is not part of the Board) and shall also include the Company secretary and Chief financial officer of the Company.

#### **4. APPLICABILITY**

The Policy is applicable to:

- Directors (including Independent Directors);
- Key Managerial Personnel (‘KMPs’); and
- Senior Management

#### **5. CONSTITUTION OF COMMITTEE**

The members of the Nomination and Remuneration Committee will be appointed by the Board and the Committee will comprise of three or more Non-executive Directors out of which not less than one-half shall be Independent Directors. The Chairman of the Committee shall be an Independent Director. The Chairman of the Nomination and Remuneration Committee shall be present at every Annual General Meeting or may nominate some other member to answer the shareholders’ queries. The Chairman of the Company may be appointed as a member of the Committee.

The Board may re-constitute the Committee, whenever required, to comply with the provisions of the Act, Listing Regulations and other applicable statutory requirements.

#### **6. ROLES OF THE NOMINATION AND REMUNERATION COMMITTEE**

The terms of reference of the Committee will, inter-alia, include the following:

1. Identifying 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. Formulating 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. While formulating the policy as above said, to ensure that:
  - (a) 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;
  - (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
  - (c) Remuneration to Directors, Key Managerial Personnel and Senior Management (one level below the functional heads including the Company Secretary and Chief Financial Officer) 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. Recommending the Board, all remuneration, in whatever form, payable to senior management including the Company Secretary and the Chief Financial Officer;
5. Formulating the criteria for evaluation of Independent Directors and the Board of Directors of the Company;
6. To extend or continue the term of appointment of Independent Director, on the basis of performance evaluation of Independent Directors;
7. Devising a policy on diversity of Board of Directors;
8. To formulate the detailed terms and conditions of the Kajaria Ceramics Employee Stock Option Plan 2015 ('ESOP Plan 2015') including the following:
  - a. issuing and allotment of equity shares [including share certificate(s)] of the Company to the ESOP holders and all matters related thereto, from time to time, pursuant to the ESOP Plan 2015;
  - b. signing, execution and submission of necessary documents/papers for the listing of equity shares of the Company with the stock exchanges or other concerned authority(ies) and all matters related thereto;
  - c. making a fair and reasonable adjustment to the number of options and to the exercise price, in case of rights issues, bonus issues and other corporate actions;
  - d. approval of list of employee(s) of the Company and/or its subsidiary(ies) [including quantum of ESOP grant] to whom ESOP options are to be granted under ESOP Plan 2015;
  - e. determining the procedure for winding up of the ESOP Plan 2015;

- f. other matters which may be relevant for administration of ESOP Plan 2015, from time to time.
- 9. To do all other acts as may be delegated by the Board of Directors of the Company or prescribed by law, from time to time.

## **7. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMPs AND SENIOR MANAGEMENT**

### **Appointment criteria and qualifications:**

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. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
2. The Company shall not appoint or continue the employment of any person as Managing Director/Whole time Director, who has attained the age of 70 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.
3. The Company shall not appoint a person or continue the Directorship of any person as a Non-executive Director who has attained the age of 75 years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

### **Term/Tenure:**

1. Managing Director / Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director, Joint Managing Director or 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 term.

2. Independent Director:

- i) 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.
- ii) 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.

- iii) Subject to the applicable provisions of the Listing Regulations and the Act, 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.

3. KMPs / Senior Management:

Term of appointment will be governed through a letter of appointment issued to the respective KMP / Senior Management / Employee.

**Performance Evaluation:**

The evaluation of performance of every Director, KMP and Senior Management Personnel shall be made in accordance with the applicable laws.

The major criteria for performance evaluation are as follows:

1. Role & Accountability:

- Application of knowledge for rendering advice to management for resolution of business issues.
- Active engagement with the management and attentiveness to progress of decisions taken.
- Fulfillment of Independence criteria by Independent Directors, as specified under the Act / the Listing Regulations.

2. Objectivity:

- Appraisal of issues.
- Own recommendations given professionally without tending to majority or popular views.

3. Leadership & Initiative:

- Heading department / section/ Board Committees.
- Driving any function or identified initiative based on domain knowledge and experience.

4. Personal Attributes:

- Commitment to role & fiduciary responsibilities.
- Active participation.
- Proactive, strategic and lateral thinking.

**Removal:**

Due to reasons for any disqualification mentioned in the Act or the Listing Regulations or any other applicable Act, rules/regulations or in accordance with the contract of service / letter of appointment, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMPs or Senior Management Personnel.

**Retirement:**

The Director, KMPs and Senior Management Personnel shall retire as per the applicable provisions of the Act or any other applicable Act, rules/regulations and the prevailing policy/guidelines of the Company. The Board will have the discretion to retain the Director, KMPs, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit/interest of the Company.

**8. POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR (EXECUTIVE DIRECTOR), KMPs AND SENIOR MANAGEMENT PERSONNEL****General:**

- (i) The remuneration/compensation/commission etc., to the Whole-time Director, KMPs and Senior Management Personnel will be considered by the Committee and recommended to the Board for its approval. The remuneration/compensation/commission, etc. shall be subject to the prior/post approval of the shareholders of the Company and the provisions of the Act & the Listing Regulations.
- (ii) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage/slabs/conditions as per the provisions of the Act & the Listing Regulations.
- (iii) 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 only.
- (iv) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, 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.
- (v) The fees/compensation payable to Executive Directors, who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if:
  - the annual remuneration payable to such Executive Director exceeds Rs. 5 crore or 2.5% of the net profits of the Company, whichever is higher; or
  - where there is more than one such Executive Director, the aggregate annual remuneration to such Executive Directors exceeds 5% of the net profits of the Company.

The approval of the shareholders under Clause 8(v) above shall be valid only till the expiry of the term of such Executive Director.

## **Remuneration to the Managing Director, Whole-time Director, KMPs and Senior Management Personnel:**

Remuneration to Whole-time Directors, KMPs and Senior Management consists of the following components:

### **1. Salary & Perquisites:**

The Whole-time Director/Managing Director ('MD')/ Joint Managing Director ('JMD'), 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 break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, reimbursement of gas electricity and water expenses, HRA, Club fees, etc. shall be decided and approved by the Board on the recommendation of the Committee and shall be subject to approvals of shareholders of the Company and compliance of the Act & the Listing Regulations.

### **2. Commission:**

MD/JMD would also be entitled for the commission in accordance with the provisions of the Act & the Listing Regulations.

### **3. Minimum Remuneration:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its MD/JMD/Whole-time Director(WTD), subject to compliance of the applicable provisions of the provisions of the Act/ the Listing Regulations.

### **4. Provisions for excess remuneration:**

If any MD/JMD/Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed in the Act and/or not in compliance of the applicable provisions of the Act, 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 not waive recovery of such sum refundable to it unless permitted under the Act/ the Listing Regulations.

### **5. Stock Options:**

A Director shall not be entitled to any stock option of the Company. However, KMPs and Senior Management may be granted the stock option in accordance with the scheme as may be approved by the Committee, from time to time.

## **Remuneration to Non- Executive / Independent Director**

Remuneration to Non-executive Directors/Independent directors consists of the following components:

## **1. Sitting Fees:**

The Non-executive/Independent Director may receive remuneration by way of fees for attending meetings of the Board or Committee(s) of the Company, as approved by the Board, from time to time, which will be subject to the limits prescribed under the Act.

## **2. Stock Options:**

An Independent Director shall not be entitled to any stock option of the Company.

## **9. SEVERANCE ARRANGEMENTS**

The Contract of Employment with the Executive Director (WTD/MD/JMD) will provide for compensation of 3 months' pay or advance notice period and for other KMPs and Senior Management employees, the notice period will be 1 month or 1 month salary or as per appointment letter, whichever is higher. There will not be any severance fees.

## **10. DISCLOSURE**

Information on the total remuneration of members of the Company's Board of Directors, WTD/MD/JMD and KMPs/Senior Management personnel will be disclosed in the Company's annual financial statements, etc., as per the provisions of Act, the Listing Regulations and other statutory requirements.

The disclosures regarding this Policy shall be made on the Company's website [www.kajariaceramics.com](http://www.kajariaceramics.com) and in the Annual Report of the Company, as per the provisions of the Act, the Listing Regulations and other statutory requirements.

## **11. EFFECTIVE DATE**

This Policy shall be effective w.e.f. April 1, 2019.

## **12. REVIEW / AMENDMENT**

The Board of Directors of the Company, on recommendation of the Committee, may amend, abrogate, modify or revise any or all provisions of this Policy. However, amendments in the Act/other applicable laws shall be binding even if not incorporated in this Policy.

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This revised Policy has been approved by the Board of Directors of the Company at its meeting held on January 18, 2019, on recommendation of the Nomination and Remuneration Committee of the Company.