

PANASONIC ENERGY INDIA CO. LTD.

NOMINATION AND REMUNERATION POLICY

I. Background

The Companies Act, 2013 has made it mandatory for listed and public companies (as prescribed in the Rules) to formulate a policy which documents a mechanism for appointment, cessation, evaluation and remuneration of the following:

1. Directors,
2. Key Managerial Personnel (KMP),
3. Senior Management Personnel.

Accordingly, in terms of Sections 178 of the Companies Act, 2013, the Board has constituted a Nomination and Remuneration Committee at its meeting under new provisions and re-constituted from time to time, latest change being in Board Meeting held on February 05, 2019.

II. Objective

The objective of the policy is to lay out the principles for determining remuneration for Directors, Key Managerial Personnel and Senior Management Personnel to ensure:

- (a) That the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent and quality of professionals required for effective management the business;
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) Judicious balance between fixed and variable pay reflecting short and long-term performance objectives aligned to the working of the Company and its goals.

Frequency of meetings – The Nomination and Remuneration Committee shall meet as per the requirement.

III. Requirement under Companies Act, 2013

This Policy has been formulated in compliance with the terms of Section 178 of the Companies Act, 2013 and amendments thereto and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

Definitions

‘Act’ means Companies Act, 2013 and rules made thereunder.

'Board' Board of directors of the Company.

'Casual Vacancy' means vacation of an officer before expiry of term of that office in normal course.

'Committee' means Nomination and Remuneration Committee of the Company as constituted by the Board, in accordance with the Act and LODR Regulations, as amended from time to time.

'Company' means Panasonic Energy India Co. Ltd.

'Director(s)' means Directors of the Company.

'Independent Director' means a Director referred to in Section 149 (6) of the Act.

'Key Managerial Personnel', in relation to a Company, means –

- (i) Chief Executive Officer or the Managing Director or the Manager;
- (ii) Company Secretary;
- (iii) Whole-Time Director(s);
- (iv) Chief Financial Officer; and
- (v) such other officer as may be prescribed.

'LODR Regulations' means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

'Policy' means Nomination and Remuneration Policy.

'Remuneration' means any money or its equivalent given or passed for services rendered and includes perquisites as defined under the Income-tax Act, 1961.

'Senior Management' shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise of all members of management one level below the chief executive officer/managing director /whole time director/manager (including chief executive officer /manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

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.

V. Scope

In terms of Section 178 of the Act, this Policy provides guiding principles for appointment, cessation of appointment, performance evaluation and remuneration of Directors, Key Managerial Personnel and Senior Management Personnel of the Company.

VI Nomination

1. Appointment:

The Board shall assess the requirement of appointment of a new Director on the Board or Key Managerial Personnel in the following events:

- (a) To fill up a casual vacancy,
- (b) To fulfill statutory requirement, or
- (c) To fill up critical positions in the Company as per the organization structure.

2. Based on the requirement assessed above, the Committee shall recommend the person/ persons to be appointed. The incumbent should necessarily fulfill the following criteria:

2.1 Criteria for appointment as Director: The incumbent should:

- 2.1.1 not be disqualified in terms of Section 164 of the Act;
- 2.1.2 be eligible in terms of Schedule V to the Act, if he is going to be appointed as Managing Director, Whole-time Director or manager;
- 2.1.3 fulfill the terms of independence as per the provisions of Section 149 and Schedule IV to the Act; and
- 2.1.4 possess qualification, experience, capability and knowledge commensurate with the functional responsibilities he has to fulfill.
- 2.1.5 A chart or a matrix setting out the skills/expertise/competence of the board of directors specifying the following:
 - (i) With effect from the financial year ending March 31, 2019, the list of core skills/expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board; and
 - (ii) With effect from the financial year ended March 31, 2020, the names of directors who have such skills / expertise / competence

2.2 Re-appointment of Independent Director shall be on the basis of report of performance evaluation.

2.3 Criteria for appointment as Key Managerial Personnel and Senior Management Personnel: The incumbent should possess the following qualities:

2.3.1 Qualification and experience should be commensurate with the function to be headed.

2.3.2 He/she should display Panasonic Values.

3. On appointment to the Board, the Independent Directors shall receive a formal letter of appointment in accordance with the guidelines provided under the Act;

4. Succession Planning – The Committee shall establish and review succession plans of the Board, Key Managerial Personnel and Senior Management Personnel.

5. Cessation of engagement – This can either be:

5.1. Not to recommend reappointment upon retirement by rotation;

5.2. Retirement from services in terms of Company's Human Resource Policy

The Board may, at its discretion, continue employment of Whole-Time Directors in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company. The discretion to continue employment of Key Managerial Personnel and Senior Management Personnel shall vest with the Managing Director, who shall decide the position / remuneration or otherwise after an incumbent attains the retirement age.

5.3. Resignation;

5.4. Death;

5.5. Removal - The Committee shall recommend removal in the following cases:

5.5.1. The Director has been disqualified in terms of Section 164 of the Act.

5.5.2. The person has displayed adverse behavior with regard to Panasonic Values.

5.5.3. Violation of Code of Conduct of the Company.

5.6. In terms of statutory provisions (Please refer section on "Term/Tenure")

6. Term/ Tenure

6.1. Executive Directors

The Company shall appoint or re-appoint any person as its Executive Director, Managing Director or Whole-time 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.

6.2. Non-Executive Director

A. Independent Director

- a) Subject to the provisions of the Act, an Independent Director shall hold office for a term up to five consecutive years on the Board and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure(s) of such appointment in the Board's report.
- b) 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.

B. Non-Independent Director

- a) Term of Non-Independent Directors shall be liable to determination by retirement of directors by rotation.

VII. Remuneration

1. Directors

1.1. Remuneration Principles

1.1.1. Remuneration to Directors shall be in accordance with the provisions of the Act and Articles of Association of the Company.

1.1.2. The remuneration payable to Directors will be determined by the Committee and recommended to the Board for approval. Remuneration, if approved by the Board will be subject to approval of the shareholders and such other regulatory approvals, wherever required.

1.1.3. Remuneration payable to be commensurate with qualification, experience and participation of Directors in providing strategic guidance to the company.

1.1.4. Remuneration payable may be decided based on the performance evaluation of each of the Directors and Board, as a whole.

1.2. Remuneration Components:

1.2.1. Every Independent Director shall be entitled to sitting fee for every meeting of the Board and Committees of the Board attended by him/her.

1.2.2. The Committee shall decide other components of remuneration payable to Non-executive Directors as per applicable provisions of the Act.

1.2.3. The remuneration of Whole-Time Director(s) shall comprise a mix of fixed pay, performance based incentive and such other perquisites as may be approved by the Board.

1.2.4. Non-executive Directors will be eligible to commission, as may be decided by the Board, within the monetary limit approved by the shareholders. The Board is authorized to approve payment of remuneration to Non-executive Directors up to a limit of 1% of the net profits of the Company.

1.2.5. Remuneration payable to any Director in terms of Section 197 of the Act, shall include remuneration payable to him for the services rendered in any other capacity unless:

(a) the services rendered are of a professional nature; and

(b) the Committee is of the opinion that the Director possesses requisite qualification for practice of the profession.

1.2.6. Where any insurance is taken by the Company on behalf of its Managing Director, Whole-time Directors and/ or Non-executive Directors for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of 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 the remuneration payable to any such personnel.

1.3. Minimum Remuneration

In the event of no profits or inadequate profits in any financial year, the Company shall pay remuneration to its Directors in accordance with the provisions of Schedule V to the Act and if it is not able to comply with such provisions, with the prior approval of the Central Government.

2. Key Management Personnel (other than Managing and Whole-Time Directors) and Senior Management Personnel

2.1 Remuneration Principles

2.1.1. The Committee shall endeavor to decide such level and composition of remuneration which is reasonable and sufficient to attract, motivate and retain high caliber professionals in the Company.

2.1.2. Remuneration, in case of new appointment, shall be decided on the basis of individual's qualification, experience, competencies, responsibilities to be discharged for the assigned job and potential contribution to the Company.

2.1.3. Increment in remuneration shall be annual and will be based on the result of performance appraisal process conducted as per the Human Resource Policy of the Company.

2.1.4. Remuneration will be reviewed annually by the management of the Company.

2.1.5. Committee shall recommend to the board, all remuneration, in whatever form, payable to senior management.

2.2 Remuneration Components:

2.2.1. Remuneration shall comprise the following:

i. Fixed Pay: being the base pay and allowances linked thereto;

ii. Variable pay: performance-linked component based on the extent of achievement of the individual's KRAs and performance of the business unit;

iii. Perquisites – benefits in the nature of facilities provided by the Company;

iv. Contribution to Provident and other funds – includes contribution to provident fund, gratuity and superannuation funds.

2.2.2. The proportion of Variable pay in the total remuneration shall increase with the elevation in grade and responsibilities.

2.2.3. Rewards – given by the Company to motivate and retain employees shall form part of the remuneration.

2.3. Where any insurance is taken by the Company on behalf of its Key Managerial Personnel or Senior Management Personnel for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of 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 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.

VIII. Evaluation

1. The Committee shall regularly assess the requirement of expertise necessary on the Board to oversee and provide strategic guidance to Company's business.
2. Based on the understanding at (1) above, the purpose of Board evaluation is to:
 - (a) Improve the performance of Board for achievement of corporate goals and objectives.
 - (b) Assess the balance of skills, knowledge and experience on the Board.
 - (c) Identify areas to be focused for improvement.
 - (d) Identify and create awareness about the role of Directors individually and collectively as Board.
 - (e) Identify ongoing trainings to ensure that the Directors are provided with adequate information to understand Company's business, the industry and their duties & responsibilities (both legal and fiduciary).
 - (f) Build a Board which provides strategic guidance and contribution for overall growth of the organization.
 - (g) Build teamwork and develop effective coordination between Board members towards growth of the organization.
3. Board evaluation requires:
 - (a) Deciding individual and collective roles and responsibilities of the Directors;
 - (b) Setting the standards of individual performance of every Director and collective performance as the Board.
4. The Committee shall be responsible for carrying out evaluation of every Director's performance.
5. The Committee shall lay down the criteria and framework for performance evaluation of each Director which could either be in the form of standard questionnaire and/or through one-on-one interviews.
6. The performance evaluation of Directors shall be done by the entire Board (excluding the Director being evaluated) on the basis of recommendations of the Committee and meeting of Independent Directors.

7. The Committee shall ensure evaluation of Independent Directors as per the provisions of Schedule IV to the Act i.e. Code for Independent Directors.
8. The Committee may, under the authority granted by the Board, engage consultant(s) for establishing the process of Board evaluation.
9. Criteria for evaluation may include:
 - (a) Time devoted by the Director like attendance at the meetings, holding Chairmanship of important Board constituted committees like Audit Committee.
 - (b) Independent meetings held with the management.
 - (c) Participation in strategic decision making, development of policies and business plans.
 - (d) Overview of the internal financial control system in the Company for its effective implementation.
 - (e) Awareness of latest developments in the industry & market conditions, regulatory requirements, corporate governance practices.
 - (f) The Committee shall lay down the criteria for evaluation based on the Directors skill matrix.
10. The evaluation methodology shall be reviewed annually by the Committee.

IX Authority

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

X. Review and Amendments to the Policy

The Committee shall review the Policy annually and if necessitated, recommend changes to the Policy, to the Board.