



GRANULES INDIA LIMITED

**PERFORMANCE EVALUATION AND REMUNERATION
POLICY**

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I. TITLE:

This policy with regard to Performance Evaluation and Remuneration shall be called the Granules India Limited – Performance Evaluation and Remuneration Policy (herein after referred to as the “Policy”).

II. PREFACE:

Granules India Limited is committed to highest standards of corporate governance and believes in complying with the spirit of the law and not just the letter of law.

Granules believes and considers its human resources as its invaluable assets and in pursuance of its practice to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and other Employees of the Company and in terms of the provisions of Section 178 of the Companies Act, 2013 and regulation 19 of the Listing Regulations as amended from time to time, this policy is amended by the Board on 25th October 2016 which was originally framed on 28th January 2015 for performance evaluation, nomination and remuneration of Directors, Key Managerial Personnel and other Employees.

The Company’s Nomination and Remuneration committee consists of majority of Independent Directors which ensures transparency in determining the remuneration of Directors, KMPs and other employees of the Company. The Chairman of the committee is an Independent Director, thereby resulting in independent and unbiased decisions.

III. OBJECTIVE:

- To lay down criteria, (qualification, experience and skill sets) to identify persons qualified to become Directors (Executive and Non-Executive), Key Managerial Personnel as per Companies Act, 2013 and others who could be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
- To determine remuneration based on job evaluation and industry benchmarking.
- To evaluate the performance of Directors as well as Key Managerial and Senior Management Personnel.
- Recommendation to the Board on remuneration payable to the Director(s), KMP and Senior Management Personnel based on Company’s Structure and financial performance and remuneration trends and practices that prevail in peer companies across the industry.
- To manage rewards linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- To attract, retain and motivate the Directors, KMPs and Senior Management Personnel.
- To promote talent and to ensure long term sustainability of talented managerial persons with the Company and create competitive advantage.
- The Committee shall observe the set of principles and objectives as envisaged under the Companies Act, 2013 (“Act”) (including Section 178 thereof), rules framed there under and clause 49 of the Listing Agreement including, *inter-alia*, principles pertaining to determining qualifications, positives attributes, integrity and independence.

IV. DEFINITIONS & INTERPRETATION:

Act means Companies Act, 2013

Board means Board of Directors of the Company

Directors means a director appointed to the Board of a Company.

Committee means Nomination and Remuneration Committee of the Company.

Company means Granules India Limited

Nomination and Remuneration Committee, by whatever name called, shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act and the Clause 49 of the Listing Agreement.

Independent Director means a director who meets the criteria of Independence laid down under Section 149 of the Companies Act, 2013 read with the rules made there under and the Listing Agreement entered with the stock exchanges.

Key Managerial personnel (KMP) means –

- (i) the Chief Executive Officer or the Managing Director or the Manager
- (ii) the Company Secretary
- (iii) the whole-time director
- (iv) the Chief Financial Officer
- (v) such other officer as may be prescribed under the Companies Act, 2013 and the rules made thereunder.

Employee means any employee of the Company (whether working in India or abroad)

Senior Management Personnel (SMP) means personnel of the Company who are members of its core management team excluding Board of Directors and who are categorized under Grade – F as per Level Grade Structure Policy of Granules India Limited.

Policy means Granules India Limited – Performance Evaluation and Remuneration Policy.

V. APPLICABILITY:

The policy shall be applicable to–

- (i) Directors (Executive and Non-Executive),
- (ii) Key Managerial Personnel and
- (iii) Senior Management Personnel of the Company.

VI. COMPOSITION OF THE COMMITTEE:

The composition of the Committee is / shall be in compliance with the Act, Rules made thereunder and the Clause 49, as amended from time to time.

VII. ROLE OF THE COMMITTEE:

The Committee shall:

- i) Formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- ii) Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this Policy;
- iii) Lay down the evaluation criteria for performance evaluation of Independent Director and the Board;
- iv) Recommend to the Board, appointment, remuneration and removal of Director, KMP and Senior Management;
- v) Recommend to the Board a policy, relating to the remuneration for the directors, key management personnel and other employees.
- vi) To devise a Policy on Board diversity.
- vii) Ensure that 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.
- viii) Ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- ix) Ensure that remuneration to directors, key managerial personnel and senior management 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.
- x) Any other responsibility as determined by the Board.
- xi) 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.

VII. MEETINGS OF THE COMMITTEE:

The meeting of the Nomination & Remuneration Committee shall be held at such time and interval as may be required.

VIII. APPOINTMENT OF DIRECTORS, KMP OR SENIOR MANAGEMENT PERSONNEL:

- i) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Directors, KMP and Senior Management level.
- ii) A person should possess adequate qualifications, expertise and experience for the position he/ she is considered for appointment as a Director, Key Managerial Personal or Senior Management Personnel. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the position concerned.
- iii) Appointment of Directors, KMP's and Senior Management Personnel are subject to compliance of provisions of the Companies Act, 2013 and compliance of clause 49 of the Listing Agreement.
- iv) While appointing Independent Directors, the Committee shall ensure that the person proposed to be appointed possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales & marketing, administration, research, corporate governance, technical operations, other disciplines related to the Company's business and such other criteria as may be specified by any law amended from time to time.
- v) It shall also ensure that Directors proposed to be appointed are not disqualified under any law. In case of Independent Director, it shall ensure that person proposed to be appointed meets the criteria of independence as laid down by the Companies Act, 2013 and Listing Agreement as amended from time to time.
- iv) The appointment as recommended by the Nomination and Remuneration Committee further requires the approval of the Board.

IX. REMUNERATION TO EXECUTIVE DIRECTORS, KMPs, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES OF THE COMPANY:

- i) The Executive Directors, KMPs 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 breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F., medical expenses, LTA and other expenses shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.
- ii) The Managing Director of the Company may decide the remuneration of KMP (other than Managing / Whole time Director) and Senior Management based on the standard market practice and prevailing HR policies of the Company.

- iii) If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managerial Personal in accordance with the provisions of Schedule V to the Companies Act, 2013 or with the prior approval of the Central Government as the case may be.
- iv) If any Executive Director/Manager draws or receives, directly or indirectly by way of remuneration any sum in excess of the limits prescribed under the Companies Act, 2013 or without the prior approval of the Central Government, wherever applicable, he / she shall refund such sum to the Company and until it is refunded shall hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.
- v) The remuneration and commission to be paid to Directors shall be as per the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force.
- vi) Where any insurance is taken by the Company on behalf of its Directors and KMPs 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.
- vii) The Senior Management Personnel participate in a performance linked variable pay scheme which will be based on the individual and company performance for the year, pursuant to which the Senior Management are entitled to performance-based variable remuneration.
- viii) Subject to the provisions of the Act, all Directors, KMP, SMP of Granules India Ltd. shall be entitled to avail any stock options or any other benefits, except for:
 - a) an employee / Director, who is promoter(s) or relative(s) of the promoters;
 - b) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the company;
 - c) an Independent Director.

X. REMUNERATION TO NON- EXECUTIVE / INDEPENDENT DIRECTOR:

- i) The Non- Executive / Independent Director may receive sitting fees, accommodation, travelling and other expenses incidental thereto for attending meetings of Board or Committee thereof.

Provided that the amount of sitting fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

- ii) Remuneration /Commission, if applicable, may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the net profits

of the Company computed as per the applicable provisions of the Companies Act, 2013.

- iii) An Independent Director shall not be entitled to any stock option of the Company unless otherwise permitted in terms of the Act and the Clause 49, as amended from time to time.

XI. EVALUATION

- i) The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals as may be necessary.
- ii) The performance of the Independent Directors will be evaluated by the Board except the director being evaluated.
- iii) The Independent directors at their separate meeting, which shall be conducted at least once in a year, shall evaluate the performance of the Chairperson of the Company, non-independent directors, the Management and the Board as a whole taking into account the views of executive directors and non – executive directors.
- iv) While evaluating the performance of Directors, the Committee may take into account the following factors:
 - Contribution to development of strategy and to risk management
 - Knowledge to perform the role
 - Guidance on corporate strategy, risk policy, corporate governance practices
 - Performance of duties and level of oversight
 - Professional conduct, Independence and unbiased decisions/opinions etc.
- v) The Chairman of the Board or Committee, as the case may be, will collate the input and provide an overview report of performance evaluation for discussion by the Board.
- vi) The Board as a whole will discuss and analyze its own performance during the year including suggestions for change or improvement, as well as any skills, education or development required over the forthcoming year.
- vii) The Board may engage independent external consultants periodically to provide advice and assistance in the evaluation process.

XII. POLICY ON BOARD DIVERSITY:

- i) This Policy on Board Diversity (the “Policy”) forms part of Performance Evaluation and Remuneration Policy and it sets out the Company’s approach to ensuring adequate diversity in its Board of Directors (the “Board”) and is devised in consultation with the Nomination and Remuneration Committee (the “Committee”) of the Board.
- ii) The Policy applies to the Board of Granules India Limited (the “Company”).

- iii) The Company recognizes and embraces the benefits of having a diverse Board of Directors and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage in the complex business that it operates. It is recognised that a Board composed of appropriately qualified people with broad range of experience relevant to the business of the Company is important to achieve effective corporate governance and sustained commercial success of the Company. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions amongst Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. At a minimum, the Board of the Company shall consist of at least one woman Director. All Board appointments are made on merit, in the context of the skills, experience, independence, knowledge and integrity which the Board as a whole requires to be effective.
- iv) The Board and the Committee will review this Policy on a regular basis to ensure its effectiveness and also compliance with revised Clause 49 of the Equity Listing Agreement (the “Clause 49”).

XIII. REMOVAL

Due to reasons for any disqualification mentioned in the Companies Act, 2013 and rules made thereunder or under any other applicable Act, rules and regulations or consequent to violation of Company’s Code of Conduct/Policy on Internal Code of Conduct on Insider Trading, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel or any other employee subject to the provisions and compliance of the said Act, rules and regulations.

XIV. AMENDMENT

The policy of the Company is guided by the Companies Act 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 and Listing Agreement for Equity entered with the Stock Exchanges. It continues to be guided by amendments made to the aforesaid legislations from time to time.

FOR GRANULES INDIA LIMITED

**C. KRISHNA PRASAD
CHAIRMAN & MANAGING DIRECTOR**