



***NOMINATION AND REMUNERATION
POLICY
(AS PER COMPANIES ACT, 2013)
OF
L&T - MHI POWER BOILERS
PRIVATE LIMITED***



The Board of Directors of L&T – MHI Power Boilers Private Limited (“the Company”) had constituted the “Nomination and Remuneration Committee” which is in compliance with the requirements of the Companies Act, 2013.

1. OBJECTIVE:

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto. The Key Objectives of the Committee would be:

- ❖ To identify persons who are qualified to become directors and who may be appointed in accordance with the criteria laid down, carry out evaluation of every director’s performance and to recommend to the Board their appointment / removal;
- ❖ To formulate 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;
- ❖ To ensure that level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- ❖ Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- ❖ Remuneration to directors or key managerial personnel 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;

2. DEFINITIONS:

2.1. Act means the Companies Act, 2013 or Companies Act, 1956 as may be applicable and Rules framed thereunder, as amended from time to time.

2.2. Board means Board of Directors of the Company.

2.3. Directors mean Directors of the Company.

2.4. Key Managerial Personnel (KMP) means

- Chief Executive Officer or the Managing Director or the Manager;
- Whole-time director;
- Chief Financial Officer;
- Company Secretary; and



- Such other officer as may be prescribed.

2.5. L&T means Larsen & Toubro Limited, a company within the meaning of the Companies Act, 2013 and having its registered office at L&T House, Ballard Estate, Mumbai – 400 001.

2.6. MPW means Mitsubishi Power, Ltd a company incorporated under the laws of Japan and having its principal place of business at 3-1, Minato Mirai 3-chome, Nishi-ku, Yokohama, Kanagawa, 2208401, Japan.

3. ROLE OF COMMITTEE:

3.1. Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial positions in accordance with the criteria laid down in this policy.
- Recommend to the Board, appointment and removal of Director and KMP.

3.2. Policy for appointment and removal of Director and KMP.

3.2.1. Appointment criteria and qualifications

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director or KMP and recommend to the Board his / her appointment. However, pursuant to clause 11.1 of the Joint Venture agreement between L&T and MPW, the Board shall appoint a Chief Executive Officer (CEO) and Chief Operating Officer (COO). The CEO shall be a person nominated by L&T and COO shall be a person nominated by MPW.

b) 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 is sufficient / satisfactory for the concerned position.

c) The Company shall not appoint or continue the employment of any person as Whole-time Director/ Manager who has attained the retirement age fixed by the Board or as approved by the Shareholders pursuant to the requirement of the Act.



3.2.2. Term / Tenure

a) Chairman/Managing Director/Whole-time Director/Manager:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director, Whole-time Director or Manager for a term not exceeding three years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b) 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.

-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 or such other number as may be prescribed under the Act.

3.2.3. Evaluation

The Committee shall carry out evaluation of performance of the Board/Committee and Individuals at regular interval (yearly).

Further, pursuant to the Joint Venture Agreement, the performance of CEO and COO shall be reviewed annually by L&T and MPW respectively.

3.2.4. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of the said Act, rules and regulations.

3.2.5. Retirement

The Director or KMP shall retire as per the applicable provisions of the Act or the prevailing policy of the Company. The Board will have the discretion to retain the Director or KMP in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

3.3. Policy relating to the Remuneration for the Whole-time Director or KMP

3.3.1. General:

a) Pursuant to provision 11.4 of the Joint Venture Agreement, the remuneration payable to CEO and COO shall be borne and paid by L&T and MPW respectively, which has deputed or nominated such person to the office of the CEO and COO.

b) If so agreed by L&T and MPW and approved by the Board of Directors of the Company, a part of the remuneration payable to the CEO and COO may be borne by the Company, on the recommendation of the Nomination and Remuneration Committee, provided that the cost borne by the Company shall be an equal amount.

c) The remuneration and commission, if any, to be paid to the Chairman/Managing Director/ Whole-time Director (CEO and COO) shall be in accordance with the percentage/ limits / conditions laid down in the Articles of Association of the Company, Joint Venture Agreement and as per the provisions of the Act.

d) Where any insurance is taken by the Company on behalf of its Chairman/Managing Director/ Whole-time Directors/Manager, 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.

e) Remuneration of other KMP shall be as per the policy of the Company based on the grade structure in the Company.

3.3.2. Remuneration to Chairman /Managing Director /Whole-time director/ Manager and KMP:

a) Fixed pay:

In case, the Chairman/ Managing Director/Whole-time Director or KMP are eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee or policy of the Company and pursuant to the

Joint Venture Agreement, the breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Chairman/Managing Director/Whole-time Director in accordance with the provisions of Schedule V of the Act.

c) Provisions for excess remuneration:

If any Chairman/Managing Director/Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under 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 approved by the Shareholders of the Company by passing a special resolution within two years from the date the sum becomes refundable.

3.3.3. Remuneration to Non- Executive / Independent Directors:

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the limits and conditions mentioned in the Joint venture Agreement and Articles of Association of the Company and the Act.

b) Sitting Fees:

The Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

The Non-Executive Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof which shall be in accordance with the provisions of the Joint Venture Agreement and approved by the Board.



c) Commission:

Commission, if approved by the Board, may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration/ commission to its Independent Director in accordance with the provisions of Schedule V of the Act.

4. MEMBERSHIP

4.1 The Committee shall consist of a minimum 3 non-executive directors, half of them being independent.

4.2 Minimum two (2) members shall constitute a quorum for the Committee meeting.

4.3 Membership of the Committee shall be disclosed in the Annual Report.

4.4 Term of the Committee shall be continued unless terminated by the Board of Directors.

5. CHAIRPERSON

5.1 The members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

5.2 Chairperson of the Nomination and Remuneration Committee meeting could be present at the General Meeting or may nominate some other member to answer the shareholders' queries.

6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

7. COMMITTEE MEMBERS' INTERESTS

7.1 A member of the Committee is not entitled to be present/participate in discussion when his own remuneration is discussed at a meeting or when his or her performance is being evaluated.

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



8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

9. VOTING

Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

10. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

10.1 Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;

10.2 Determining the appropriate size and composition of the Board;

10.3 Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;

10.4 Developing a succession plan for the Board and regularly reviewing the plan;

10.5 Evaluating the performance of the Board members in the context of the Company's performance from business and compliance perspective;

10.6 Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.

10.7 Delegating any of its powers to one or more of its members or the Secretary of the Committee;

10.8 Recommend any necessary changes to the Board; and

10.9 Considering any other matters, as may be requested by the Board.

11. REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:



11.1 To consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.

11.2 To ensure the remuneration maintains a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.

11.3 To delegate any of its powers to one or more of its members or the Secretary of the Committee.

11.4 To consider any other matters as may be requested by the Board.

11.5 Professional indemnity and liability insurance for Directors.

12. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee Meeting or by the Chairman at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Committee meeting.

(Last amended by the Board of Directors at their Meeting held on 23rd April, 2021)
