



## **NOMINATION, EVALUATION & REMUNERATION POLICY**

### **PART A: BOARD NOMINATION POLICY**

#### **Constitution of the Nomination and Remuneration Committee**

The Board has constituted the “Nomination and Remuneration Committee” of the Board in line with the requirements under the Companies Act, 2013 (“Act”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR 2015”).

The Board has authority to reconstitute this Committee from time to time.

#### **Definitions**

“Act” means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

“Board” means collective body of the Directors of the Company.

“Committee” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act and applicable Regulations of SEBI LODR 2015, as amended from time to time.

“Company” means VA Tech Wabag Limited having its registered office at “Wabag House”, No.17, 200 Feet Thoraipakkam- Pallavaram Main Road, Sunnambu Kolathur, Chennai-600117, Tamil Nadu.

“Directors” means a Director of the Company.

“Executive Directors” means Managing Director and Whole Time Director of the Company appointed as per Section 196 of the Companies Act, 2013.

“Independent Director” means a Director referred to in Section 149(6) of the Companies Act, 2013 and Regulation 16 (1) (b) of SEBI LODR 2015

“Key Managerial Personnel (KMP)” means

- 1) The Managing Director or the Chief Executive Officer or the Manager;
- 2) The Whole Time Director;
- 3) The Company Secretary, and
- 4) The Chief Financial Officer
- 5) Such other officer, not more than one level below the directors who is in whole -time employment, designated as key managerial personnel by the Board; and
- 6) Such other officer as may be prescribed

“Senior Management” means personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Chief Executive



Officer/ Managing Director/Whole Time Director/Manager and shall mandatorily include Company Secretary and Chief Financial Officer.

“SEBI LODR 2015” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 and SEBI LODR 2015 as may be amended from time to time shall have the meaning respectively assigned to them therein.

#### **Effective date/ Applicability**

This policy is effective from 25<sup>th</sup> May 2015, subject to any reviews/ amendments approved by NRC/ Board, from time to time.

#### **Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee**

The following matters shall be dealt by the Committee: -

(a) Size and composition of the Board:

Periodically reviewing the size and composition of the Board to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company as a whole;

(b) Directors:

Formulate the criteria determining qualifications, positive attributes, role, capabilities and independence of a Director and recommending candidates to the Board, when circumstances warrant the appointment of a new Director, having regard to the range of skills, experience and expertise, on the Board and who will best complement the Board;

(c) Succession plans:

Establishing and reviewing Board and senior executive succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management.

#### **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 senior management level and recommend to the Board his / her appointment of Director and KMP.



- (2) A person to be appointed as Director, KMP or senior management level should possess adequate qualification, expertise and experience for the position he / she is considered for appointment including demonstrated track record. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- (3) A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability and willingness to contribute to the Company's growth, complementary skills in relation to the other Board members.
- (4) The Company shall not appoint or continue the employment of any person as Executive Directors who has attained the age of sixty-five years, nonexecutive Directors who has attained the age of seventy-five years and shall not appoint Independent Director who has attained the age of seventy-five years subject to the provisions of Companies Act 2013.

However the term of the person holding this position may be extended 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 sixty five years / seventy five years as the case may be.

- (5) A whole-time KMP of the Company shall not hold office in more than one company except in its subsidiary company at the same time. However, a whole-time KMP can be appointed as a Director in any company, with the permission of the Board of Directors of the Company.
- (6) A Chairperson of the Board shall be appointed in Compliance with the provision of the Companies Act, 2013 and SEBI LODR 2015, as amended from time to time.
- (7) An Independent director of the Company shall be a director on the Board of Directors of an unlisted material subsidiary of the Company, whether incorporated in India or not.
- (8) Board should ensure to have minimum 6 (six) Directors with 1 (one) woman Independent Director on the Board, in accordance with Companies Act, 2013 and SEBI LODR 2015, as amended from time to time.

#### **Term/Tenure**

- (1) Managing Director / Whole-time Director (Executive Directors)



The Company shall appoint or re-appoint any person as its Managing Director & CEO or Whole-time Director for a term not exceeding 5 (five) years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

(2) Independent Director

- (a) An Independent Director shall hold office for a period as may be approved by the Board, subject to maximum period of 5 (five) consecutive years for a term on the Board of the Company and subject to complying with qualification and other criteria prescribed under the Companies Act, 2013 will be eligible for re-appointment for second consecutive term for a period as may be approved by the Board subject to maximum period of 5 (five) more years, on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- (b) No Independent Director shall hold office for more than 2 (two) consecutive terms w.e.f. 1st April 2014 subject to maximum period of 10 (ten) years as prescribed under the Companies Act, 2013, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director as per the provisions of Companies Act, 2013. Provided that an Independent Director shall not, during the said period of 3 (three) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- (c) In case, if a person who has already served as an Independent Director for five years or more in the Company as on April 01, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he / she shall be eligible for appointment provided his total association with the company as a Director shall not exceed 14 years.
- (d) At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director Serves are 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 (Executive) Director of a listed Company.

**Removal**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable law, rules and regulations, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director or KMP and senior management personnel subject to the provisions and compliance of the said law, rules and regulations.



## **Retirement**

The Executive Directors, KMP and senior management personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Executive Directors, KMP and senior management personnel in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

## **PART B: BOARD EVALUATION POLICY**

### **Introduction:**

The Policy on Board Evaluation is being adopted in compliance with Companies Act, 2013 and Regulation 19 of SEBI LODR 2015.

### **Purpose**

The purpose of the policy is to assess the effectiveness of the Board as a whole, Committees of Board and Individual Directors (Independent \ Non-Independent \ Executive \ Non- Executive) on regular basis and to take necessary steps for improving the effectiveness of the board.

### **Process**

- (a) The Nomination and Remuneration Committee of the Board shall decide the procedure, criteria and methodology of evaluation of Directors of the Company from time to time in compliance with the provisions of the act and SEBI LODR from time to time.

#### **(b) Evaluation of Board**

The review of the performance of the Board as a whole shall be carried out by the Nomination and Remuneration Committee of the Board of Directors.

#### **(c) Evaluation of Independent Directors**

The evaluation of Independent Directors shall be carried out by all the members of the Board excluding the Director being evaluated which shall include:

- performance of the Independent Directors
- fulfilment of the independence criteria as specified in the SEBI LODR 2015 from time to time and their independence from the management



In accordance with the provisions of the Companies Act, 2013 and SEBI LODR 2015, as may be amended from time to time, the extension or continuance of the term of appointment of Independent Directors would be determined based on their evaluation.

**(d) Evaluation of Non-Independent Directors**

The Nomination and Remuneration Committee shall on an annual basis review the performance of Non-Independent Directors.

**(e) Evaluation of Chairperson**

The performance of Chairperson of the Board shall be carried out by the Nomination and Remuneration Committee taking into account the views of Executive and Non-Executive Directors.

The evaluation process as mentioned above shall be carried out annually.

**Reporting**

Individual Board members are assessed on their effective contribution, quality of interventions, statutory disclosures/compliances from time to time and commitment to their role and responsibilities as Directors.

**External Support**

The Board as and when it feels necessary may carry out evaluation process with the support of external consultants.

**Disclosures**

- (a) The Board evaluation policy shall be disclosed in the annual report.
- (b) A statement on the process of Board evaluation shall be made part of Boards Report.

**PART C: BOARD DIVERSITY POLICY:**

WABAG recognizes and sets out the approach to have diversity on the Board of the Company in terms of thought, knowledge, skill, industry experience, cultural & geographical background, perspective, gender, age, ethnicity and race in the Board, based on the laws / regulations applicable to the Company and as appropriate to the requirements of the businesses of the Company. The Company sees increasing diversity at Board level as an essential element in maintaining a competitive advantage, contributing the achievement in strategy and business of the Company offering a broad range of perspectives that are directly relevant to the business and to enhance the reputation of WABAG.



A truly diverse Board will ensure effective corporate governance, responsible decision making ability, sustainable business development and moreover Company's reputation.

The Nomination & Remuneration Committee shall:

- (1) Assess the appropriate mix of diversity, skills, experience and expertise required on the Board
- (2) Assess the extent to which the required skills are represented on the Board
- (3) Identify appropriate/ qualified personnel to occupy Board position
- (4) Ensure that selection process is formal and non-discriminatory
- (5) Review and report to the Board any changes in relation to the diversity of the Board

#### **PART D: REMUNERATION POLICY**

##### **Guiding principles:**

- The remuneration policy for executives reflects the overriding remuneration philosophy and principles of WABAG. When determining the remuneration policy and arrangements for Executive Directors/KMP's, the Remuneration Committee considers pay and employment conditions with peers / elsewhere in the competitive market to ensure that pay structures are appropriately aligned and that levels of remuneration remain appropriate in this context.
- The Committee while designing the remuneration package considers the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the company successfully.
- The Remuneration Committee while considering a remuneration package must ensure a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.

##### **Policy relating to the Remuneration for the Executive Directors, KMP and Senior Management Personnel**

###### **General**

- a) The remuneration / compensation / commission etc. to the Executive Directors, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / Bonus / Incentive / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- b) The remuneration and commission to be paid to the Executive Directors shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.



- c) 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.
- d) Where any insurance is taken by the Company on behalf of its Executive Directors, 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.

#### **Remuneration to Executive Directors and KMP**

##### **a) Remuneration:**

The Executive/KMP shall be eligible for a monthly fixed remuneration and Quarterly / Annual Variable Pay 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 Provident Fund, Superannuation 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 Executive Directors, in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the prior approval of the Central Government, wherever required.

##### **c) Provisions for excess remuneration:**

If any Executive Directors draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, 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 by the Central Government, wherever required.

Approval of shareholders by special resolution shall be obtained if the annual remuneration payable to single executive director belonging to promoter group exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or where there is more than one such director, if the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the Company.





**Stock options:** The Independent Directors are not entitled to any stock options of the Company as per the Companies act.

#### **Executive Remuneration – Sr. Management Personnel**

Senior Management Personnel remuneration is proposed by the Committee and subsequently approved by the Board of Directors. Executive remuneration is evaluated annually against performance by Committee or Managing Director or Whole Time Director. Benchmark information is obtained from internationally recognized compensation service consultancies. In determining packages of remuneration, the Committee may consult with the Chairman/Managing Director as appropriate. Total remuneration shall be comprised as follows:

- A **fixed base salary**, set at a level aimed at attracting and retaining executives with professional and personal competences required to drive the Company's performance.
- **Short-term incentives**, based on the achievement of a number of individual, predefined financial and strategic business targets recommended by the Committee and approved by the Board of Directors and can under normal circumstances not exceed the fixed base salary.
- **Long-term incentives** in the form of **stock options**, promoting a balance between short-term achievements and long-term thinking.
- **Superannuation contributions**, made in accordance with applicable laws / employment agreements.
- **Gratuity/Severance payments** in accordance with termination clauses in employment agreements. Severance payments shall comply with local legal framework.
- **Medical & Life Insurance coverage** in accordance with the employment agreement

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

The remuneration payable to each Non-Executive Director is based on the remuneration structure as determined by the Nomination and Remuneration Committee and the Board, and is revised from time to time, depending on individual contribution, the Company's performance, and the provisions of the Companies Act, 2013 and the rules made thereunder.

The remuneration to the Non-Executive Directors (including Independent Directors) may be paid within the monetary limit as may be approved by the Nomination and Remuneration Committee, the Board and the 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.

Presently the remuneration/commission payable to the Non-Executive Directors (including Independent Directors) shall be as follows:



Particulars	Amount in INR
Fixed Fee for Independent Director and /Non-Executive Director (Per annum)	18 lakhs
Travel	@ actual

The Company normally has Four Board meetings in a year. Directors are expected to attend four quarterly Board meetings (including the applicable Committee Meetings) and the AGM.

## AMENDMENTS/ POLICY REVIEW

This policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of SEBI LODR 2015.

In case of any conflict between the policy and the SEBI LODR 2015 / Companies Act, 2013 or any other statutory enactments and rules thereof or any subsequent changes in the provisions/ regulations and which makes any of the provisions in the policy inconsistent with the Act or regulations, the provisions of SEBI LODR 2015/ Companies Act, 2013 or statutory enactments and rules thereof shall prevail over this Policy and the provisions in the policy would be modified in due course to make it consistent with law. This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.

## DISSEMINATION OF POLICY

This policy shall be hosted on the website of the Company and a web link shall be provided in the Annual Report of the Company.

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**Original policy adopted on: 25<sup>th</sup> May 2015**

**First Revision: 8<sup>th</sup> August 2015**

**Second Revision: 8<sup>th</sup> November 2016**

**Third Revision: 25<sup>th</sup> May 2017**

**Fourth Revision: Revision w.e.f. 1<sup>st</sup> April 2019**

**Fifth Revision: Revision w.e.f.26<sup>th</sup> March 2022**

**Sixth Revision: Revision w.e.f 19<sup>th</sup> May 2023**