

Nomination and Remuneration Policy of Voith Paper Fabrics India Limited

Introduction

The Nomination & Remuneration Policy ("Policy") of Voith Paper Fabrics India Limited (the "Company" or "VPFV") is formulated under the Companies Act, 2013 ("Act") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended from time to time and other applicable laws (hereinafter referred to as "Relevant laws").

Objective and Purpose

The objectives and purpose of this Policy are:

- ❖ To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
- ❖ Specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
- ❖ To formulate the criteria for determining qualifications, experience, expertise, other attributes and independence of a person to be appointed as a director.
- ❖ To recommend to the Board, a policy relating to remuneration for the directors, key managerial personnel, and other employees of the Company.
- ❖ To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage for the Company.
- ❖ To provide for rewards linked directly to their effort, performance, dedication and achievement of Company's targets.

Constitution of Nomination and Remuneration Committee

The Board has constituted the "Remuneration Committee" of the Board on 31st January, 2002 as part of good corporate governance practices. Accordingly, at the board meeting held on 28th April, 2014 the said Remuneration Committee was renamed and reconstituted suitably, as the "Nomination and Remuneration Committee" (here-in-after referred to as NRC or Committee). This is in line with the requirements under the Act. This policy and the Nomination and Remuneration Committee charter are integral to the functioning of the Nomination and Remuneration Committee and are to be read together.

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

Definitions

- ❖ **"Act"** means Companies Act, 2013 and applicable Rules made thereunder in this regard, as amended.
- ❖ **"Listing Regulations"** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ❖ **"Committee"** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act and applicable Listing Regulations.
- ❖ **"Board"** means Board of Directors of the Company.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act and Listing Regulations as may be amended from time to time shall have the meaning respectively assigned to them therein.

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Appointment Criteria and Qualifications

- ❖ The Committee shall, at its sole discretion, consider the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel (KMP) or Senior Management Position and then recommend to the Board his/her appointment. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- ❖ For every appointment of an independent director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director. The person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
 - a) use the services of external agencies, if required;
 - b) consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c) consider the time commitments of the candidates.
- ❖ The Company shall appoint or continue the employment of a person as Managing Director/Executive Director and Non-Executive Director who has not attained the maximum age of retirement as prescribed under relevant laws.
- ❖ Mere possession of requisite qualification, experience & expertise shall not entitle any person to be automatically considered for appointment as a director, KMP or SMP in the company, as a matter of right.
- ❖ The decision of the Committee and/or the Board as regards appointment of an individual to any of the designated position shall always be final.

Term / Tenure

- ❖ **Executive Director (ED) / Managing Director (MD) / Whole-time Director (WTD):** The Company shall appoint or re-appoint any person as its ED/ MD / WTD as per relevant laws.
- ❖ **Independent Director:** An Independent Director shall be appointed / re-appointed in the manner as specified under relevant laws.
- ❖ **Key Management Personnel (KMP) / Senior Management Personnel (SMP):** The term of any person appointed as KMP shall be determined by the Committee and finalized by the Board. However, the terms of appointment for persons to be appointed as SMP may be delegated by the Committee/Board to the person in charge of day-to-day affairs of the company at a given time.

Removal

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

Retirement

The Directors, KMP and Senior Management shall retire as per the applicable provisions of the relevant laws. The Board will have the discretion to retain the Directors, KMP and Senior Management in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company, subject to approvals as required under the relevant laws.

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Evaluation Criteria

The evaluation of performance of the Board, its Committees and individual directors will be carried out by the Board, in the manner specified by the Committee from time to time and in accordance with other applicable provisions of the Act and SEBI Listing Regulations, in this regard.

Remuneration Criteria

- ❖ **Executive Director / Managing Director / Whole-time Director:** They shall be paid remuneration comprising of several components (including fixed as well as variable), decided and approved by the Board from time to time, on the recommendation of the Committee and also approved by the shareholders and the Central Government, if so required. Such remuneration will be determined according to industry standards, experience, laws and regulations, prevailing market conditions and scale of Company's business relating to the position.
- ❖ **Other Directors:** The Company will remunerate its non-executive Indian directors as under:
 - **Sitting Fees:** They shall be entitled to receive a sum by way of fees (sitting fee) for attending each meeting of the Board and/or Committee thereof as may be decided by the Board of Directors, from time to time, subject to the maximum amount as may be prescribed by Central Government in this regard.
 - **Commission:** They may also be paid Commission, not exceeding the maximum overall limits; and in accordance with the applicable provisions of the Companies Act, 2013 or such sum as may be approved by the shareholders and/or central government in this regard.
- ❖ **KMP/SMP:** They shall be paid such remuneration as recommended by the Committee and approved by the Board from time to time. However, for all KMP (except for the MD/MTD) and/or SMP, the Committee/Board may also authorize the person in charge of day-to-day affairs of the company to decide their remuneration.
- ❖ **Other Employees:** The Committee or the Board may authorize the person in charge of day-to-day affairs of the Company, who shall be responsible for determining the remuneration payable to the other employees of the Company, based on their qualification, experience, expertise and their performance.

Review and Amendment(s)/Modification(s)

- ❖ The Board of Directors on its own / or as per the recommendations of Nomination and Remuneration Committee can amend this policy, as and when deem necessary.
- ❖ In case of any subsequent changes in the provisions of the Act or SEBI Listing Regulations which makes any of the provisions in the Policy inconsistent with the Act or SEBI Listing Regulations, then the provisions of the Act or SEBI Listing Regulations will prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

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