

L.G.BALAKRISHNAN & BROS LIMITED

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NOMINATION AND REMUNERATION POLICY

This Policy shall be effective from April 1, 2019.

INTRODUCTION:

L.G.Balakrishnan & Bros Limited has adopted this Nomination and Remuneration Policy (the "Policy"), to ensure the appropriate appointment and remuneration of the Directors, Key Managerial Personnel ("KMP") and Senior Management as required under the provisions of Section 178 of the Act and the rules made thereunder as amended from time to time) (the "Act") and the provisions of Regulation 19 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

OBJECTIVE

In order to comply with the requirements of Section 178 of the Act and Regulation 19 of the SEBI Listing Regulations and any other applicable provisions, the Nomination and Remuneration Committee of the Board of Directors of the Company (the "Committee") had formulated this policy (the "Policy").

The key objectives of the Policy are as follows:

- a. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive / Non-Executive) and recommend to the Board of Directors of the Company (the "Board"), policies relating to the remuneration (**payable in whatever form**) of the Directors, Key Managerial Personnel and other employees.
- b. To formulate criteria for evaluation of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- d. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- e. To devise a Policy on Board Diversity.

- f. To develop a succession plan for the Board and to regularly review the plan.
- g. To determine whether to extend or continue the term of appointment of the Independent Director(s), on the basis of the report of performance evaluation of Independent Directors.

DEFINITIONS

- a. “**Act**” means the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.
- b. “**Board**” means the Board of Directors of the Company.
- c. “**Directors**” shall mean Directors of the Company.
- d. **Remuneration** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.
- e. “**Company**” means L.G.Balakrishnan & Bros Limited.
- f. “**Key Managerial Personnel**” or “**KMP**” means:
 - in relation to a Company as defined sub-section 51 of Section 2 of the Companies Act, 2013, means and includes:
 - (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, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - (vi) such other officer as may be prescribed
- g. “**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 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.
- h. “**Independent Director**” means a director referred to in Section 149(6) of the Act.

APPOINTMENT AND REMOVAL OF DIRECTORS, KMPS AND SENIOR MANAGEMENT

a. Appointment criteria and qualifications:

- i) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- ii) 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.
- iii) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years 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 seventy years.

Provided that where no such special resolution is passed but votes cast in favour of the motion exceed the votes, if any, cast against the motion and the Central Government is satisfied, on an application made by the Board, that such appointment is most beneficial to the company, the appointment of the person who has attained the age of seventy years may be made.

b. Term / Tenure:

Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding 5 (five) years at a time. No re-appointment shall be made earlier than 1 (one) year before the expiry of term.

c. Independent Director:

- i. An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board 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.
- ii. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an Independent Director. 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.

iii. At the time of appointment of Independent Director(s) it should be ensured that number of Boards on which such Independent Director serves is restricted to 7 (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 or the SEBI Listing Regulations.

d. Evaluation:

The Committee shall carry out evaluation of performance of every Director.

The Committee shall identify evaluation criteria which will evaluate Directors based on knowledge to perform the role, time and level of participation, performance of duties, level of oversight, professional conduct and independence. The appointment / re-appointment / continuation of Directors on the Board shall be subject to the outcome of the yearly evaluation process. Framework for performance evaluation of Independent Directors and the Board is as per *Annexure A* to this Policy.

e. Removal:

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

f. Retirement:

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

g. Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management:

General

- i. The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the Shareholders of the Company and Central Government, wherever required.
- ii. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down as per the provisions of the Act.

iii. 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 or as laid down as per the provisions of the Act.

h. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management:

i. The Whole-time / Executive / Managing Director / KMP and Senior Management 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 but not limited to, employer's contribution to Provident Fund (P.F.), Superannuation Fund, Pension Scheme, medical expenses, club fees, leave travel allowance, 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.

ii. Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time / Executive / Managing Director in accordance with the provisions of Section 197 of the Act and Schedule V to the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

iii. Provisions for excess remuneration:

If any Whole-time / Executive / Managing Director 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.

i. Remuneration to Non- Executive / Independent Director:

i) Remuneration / Commission:

The remuneration / commission shall be in accordance with the statutory provisions of the Act and the Rules made thereunder for the time being in force.

ii) Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of the Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Act, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

iii) **Limit of Remuneration/Commission:**

Remuneration/ Commission 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.

iv) **Stock Options:**

An Independent Director shall not be entitled to any stock option of the Company.

SEPARATE MEETING OF INDEPENDENT DIRECTORS:

As required by the provisions of Schedule IV to the Act and the provisions of Listing Regulations, the Independent Directors of the Company shall hold at least one meeting in a financial year, without the attendance of Non-independent Directors and members of the management. Framework for separate meeting of Independent Directors is as per *Annexure B* to this Policy.

FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

As required by the provisions of Schedule IV to the Act and the provisions of Listing Regulations, the Company is required to develop a Familiarization Programme for the Independent Directors of the Company. Framework for familiarization programme for Independent Directors is as per *Annexure C* to this Policy.

BOARD DIVERSITY:

The Nomination and Remuneration Committee in their nomination process and while making recommendations to the Board shall endeavour to have an optimum combination of directors from different fields/walks such as Management, Legal, Finance, Marketing, Human Resources, Bureaucracy, Public Policy etc. and adequate representation of Women directors on the Board.

The Policy on Board Diversity sets out the Company's approach to ensuring adequate diversity in its Board of Directors and is devised in consultation with the Nomination and Remuneration Committee of the Board. The Policy on Board Diversity is as per *Annexure D* to this Policy.

MEMBERSHIP:

- a) The Committee shall comprise of at least (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent Directors.
- b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act and the SEBI Listing Regulations.

c) **The quorum for the Meeting of the Nomination and Remuneration Committee shall either be two members or one third of the total strength of the Committee, whichever is higher (including at least one independent director in attendance).**

d) Membership of the Committee shall be disclosed in the Annual Report.

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

CHAIRPERSON

a) Chairperson of the Committee shall be an Independent Director.

b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.

c) In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

d) Chairman of the Nomination and Remuneration Committee meeting could be present at the annual general meeting or may nominate some other member to answer the shareholders' queries.

FREQUENCY OF MEETINGS:

The Nomination and Remuneration Committee shall meet at least once a year.

COMMITTEE MEMBERS' INTERESTS:

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

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

SECRETARY:

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

DUTIES OF THE NOMINATION & REMUNERATION COMMITTEE

Duties with respect to Nomination:

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

- Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- Ensuring that on appointment to the Board, Independent Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- Identifying and recommending Directors who are to be put forward for retirement by rotation.
- Determining the appropriate size, diversity and composition of the Board;
- Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- 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.
- Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- Recommend any necessary changes to the Board; and
- Considering any other matters, as may be requested by the Board.
- Duties with respect to Remuneration:
 - The duties of the Committee in relation to remuneration matters include:
 - 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.

- to **recommend and** approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company.
- to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- to consider any other matters as may be requested by the Board.

MINUTES OF COMMITTEE MEETING

Proceedings of all Meetings must be minutes and signed by the Chairperson of the Committee at the subsequent Meeting. Minutes of the Committee Meetings will be tabled at the subsequent Board and Committee Meeting.

DEVIATIONS FROM THIS POLICY

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

FRAMEWORK FOR PERFORMANCE EVALUATION OF INDEPENDENT DIRECTORS AND THE BOARD

As per the provisions of Listing Regulations, the Nomination and Remuneration Committee shall lay down the evaluation criteria for performance evaluation of Independent Directors and the Board and its committees. Further, in terms of Listing Regulations, the Board is required to monitor and review Board Evaluation Framework. This Framework shall contain the details of Board's self-evaluation framework (including all Committees of the Board and individual directors).

The Board is committed to assessing its own performance as a Board in order to identify its strengths and areas in which it may improve its functioning. To that end, the NRC shall establish the following processes for evaluation of performance of Independent Directors and the Board and its Committees:

1. Once a year, the Board will conduct a self-evaluation. It is the responsibility of the Chairman of the Board, supported by the Company Secretary of the Company, to organise the evaluation process and act on its outcome;
2. The NRC shall formulate evaluation criteria for the Board and the Independent Directors which shall be broadly based on:
 - i) Knowledge to perform the role;
 - ii) Time and level of participation;
 - iii) Performance of duties and level of oversight; and
 - iv) Professional conduct
 - v) Fulfillment of Independence criteria as specified in the Act and Listing Regulations and their independence from the management.
3. If required by Chairman, the Board / Independent Directors may be asked to complete the evaluation forms and submit the same to the Chairman.
4. In terms of Section 134 of the Act, the Directors' Report shall include a statement indicating a manner in which the Board has done formal annual evaluation of its own performance, performance of Committees and individual Directors of the Company.

FRAMEWORK FOR SEPARATE MEETING OF INDEPENDENT DIRECTORS

As required by the provisions of Schedule IV to the Act and the provisions of Listing Regulations, the Independent Directors of the Company shall hold at least one meeting in a year, without the attendance of Non-independent Directors and members of the management.

The meeting shall:

- (a) review the performance of Non-independent Directors and the Board as a whole;
- (b) review the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-executive Directors;
- (c) assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

This meeting could be held prior or after the Board Meeting. The Independent Directors are free to call such meeting at any point of time, as desired.

FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

Preamble:

As required by the provisions of Schedule IV to the Act and the provisions of Listing Regulations, the Company is required to develop a Familiarization Programme for the Independent Directors of the Company.

This Familiarization Program (“ the Programme”) for Independent Directors of L.G.Balakrishnan & Bros Limited stipulates that:

- a) The Company shall familiarize the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc., through various programmes.
- b) The details of such familiarization programmes shall be disclosed on the Company’s website and a web link thereto shall be given in the Annual Report.

The Schedule IV of the Companies Act, 2013 also mandates that the independent directors shall undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company

ADMINISTRATION:

The Familiarization programme for Independent Directors will be administered and monitored by Nomination and Remuneration Committee and / or by Board of Directors of the Company.

PURPOSE

The Programme aims to provide insights into the Company to enable the Independent Directors to understand its business in depth and contribute significantly to the Company.

FAMILIARIZATION PROCESS

- i) The Company shall through its Executive Directors / Senior Managerial Personnel conduct programs / presentations periodically to familiarize the Independent Directors with the strategy, operations and functions of the Company;
- ii) Such programs / presentations will provide an opportunity to the Independent Directors to interact with the senior leadership team of the Company and help them to understand the Company’s strategy, business model, operations, service, markets, organization structure, finance, human resources, technology, quality, facilities and risk management and such other areas as may arise from time to time;

- iii) The programmes / presentations shall also familiarize the Independent Directors with their roles, rights and responsibilities;
- iv) The Company may circulate news and articles related to the industry on a regular basis and may provide specific regulatory updates from time to time; and
- v) The Company may conduct an introductory familiarization program / presentation, when a new Independent Director comes on the Board of the Company.

FAMILIARIZATION MODULE FOR INDEPENDENT DIRECTORS:

The module will be on the following lines and will be restructured as and when necessary.

<i>Orientation module for new and existing directors</i>	Overview of business, operations and business model of the Company.
Financial Performance, Budgeting and Planning.	
Overview of business of Subsidiaries.	
Familiarization on Statutory compliances including their roles, rights and responsibilities in the Company as a Board Member.	
Overview of functions of human resources	
Overview of organization structure	
Overview of Sales and marketing.	
Any other subject/program which would help in better understanding of the Company.	

DISCLOSURE OF THIS POLICY ON FAMILIARIZATION PROGRAMMES

- i) This Policy on Familiarization Programmes shall be uploaded on the Company’s website for public information and a web link for the same shall also be provided in the Annual Report of the Company.
 - a) Familiarization programme will be conducted “as needed” basis during the year.
 - b) As and when familiarization programme is conducted, the same will be disclosed on the website of the Company.

REVIEW OF THE PROGRAM

The Board will review this Program and make revisions as may be required.

POLICY ON BOARD DIVERSITY

PURPOSE OF THIS POLICY:

This Policy aims to set out the approach to achieve diversity on the Company's Board of Directors ("Board"). The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

SCOPE OF APPLICATION:

The Policy on Board Diversity applies to the Board of L.G.BALAKRISHNAN & BROS LIMITED (the "Company").

POLICY STATEMENT:

With a view to achieving a sustainable and balanced development, the Company is looking forward to increase diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Keeping this objective in view all Board appointments will be based on meritocracy, and candidates will be considered, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring for the benefit of the Company.

MONITORING AND REPORTING:

The Nomination and Remuneration Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this policy.

REVIEW OF THE POLICY:

The Nomination and Remuneration Committee will review this Policy, when considered necessary, to ensure its effectiveness. The Nomination and Remuneration Committee will discuss any revision in the Policy that may be required, and make appropriate modification to the Policy.