



THERMAX LIMITED

POLICY ON SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION

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AND THEIR REMUNERATION**



The Nomination & Remuneration Committee (NRC) has prepared a “Terms of Reference” (TOR), which, inter alia, deals with laying down the criteria for selection of Non-Executive Directors (NEDs), based on the requirements of the organization, including the qualifications and determining the independence of Directors. The NRC has also laid down the criteria for evaluation of performance of the Board and guidelines for determining the remuneration of Directors. This Policy is based on the above TOR of NRC:

(1) Criteria for selection and appointment of Directors:

- (a) The Director shall have relevant expertise and experience commensurate with the requirements of the Company to discharge their duties as a Director.
- (b) While selecting a director, emphasis is also given to their experience, personal and professional standing of the incumbent, including how they will work with the rest of the Board.
- (c) Assess the independence and nature of the appointment as Director vis-à-vis any conflict-of-interest wrt any pecuniary relationship and procure necessary declaration.
- (d) The Director is not disqualified for appointment u/s. 164 of the Companies Act, 2013.
- (e) The tenure/term of the Director shall be as per the terms of appointment. Directors shall retire upon reaching the age of 75; however, if a Director reaches the age of 75 during their term, they may continue to serve until the completion of that term.
- (f) In case of re-appointment of the Director, due emphasis be given to the value add of the Director during his / her tenure.

(2) Remuneration:

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees for attending the meetings of the Board as well as the Committees and profit related commission as mentioned below. The Directors shall also be eligible to receive reimbursement of expenses for participation in the Board and Committee Meetings.

The overall remuneration shall be in accordance with Sec. 197 and other applicable provisions & rules made thereunder from time to time.

- (a) A Non-Executive Director shall be entitled to receive sitting fees for attending meetings of the Board and Committees of such amount as may be approved by the Board of Directors, within the overall limits prescribed by the Companies Act, 2013 and rules made thereunder.
- (b) The Non-Executive Director will also be entitled to receive a commission on the Net Profits of the Company, on a yearly basis. The amount of commission payable will be as approved by the Board of Directors, based on the recommendation of the NRC.

- (c) The NRC may recommend payment of commission on a uniform basis to all NEDs as it deems fit.
- (d) The NRC may recommend higher commission to the NEDs who are the Chairman of the Board or various Committees, taking into consideration the higher responsibilities taken by them.
- (e) The NRC, while determining the quantum of commission of NEDs may consider the membership of the Director on the Board & Committees, their attendance at the various Board & Committee Meetings, the overall performance of the Company.
- (f) The overall commission payable to the Directors shall not exceed 1% of the Net Profits of the Company.
- (g) The NRC may recommend a payment of pro-rata commission to a NED who occupies the office for part of the year.

(3) Criteria for selection of MD & CEO:

For the purpose of selection of the CEO & MD, the N&R Committee shall identify persons (either directly or through a Search Firm) of integrity who possess relevant expertise, experience and leadership qualities required for the position and shall take into consideration recommendation, if any, received from any member of the Board. The Committee will also ensure that the incumbent fulfills such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013 or other applicable laws.

(4) Remuneration to MD & CEO:

- i. At the time of appointment or re-appointment, the CEO & Managing Director shall be paid such remuneration as may be mutually agreed between the Company (which includes the NRC and the Board of Directors) and the CEO & Managing Director within the overall limits prescribed under the Companies Act, 2013.
- ii. The remuneration shall be subject to the approval of the Members of the Company in General Meeting.
- iii. The remuneration of the CEO & Managing Director is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, amenities and retirement benefits. The variable component comprises performance bonus i.e. Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP).
- iv. In determining the remuneration (including the fixed increment and performance bonus) the N&R Committee shall ensure / consider the following:
 - a. The relationship of remuneration and performance benchmarks is clear.

- b. balance between fixed and incentive pay reflecting short and long-term performance objectives, appropriate to the working of the Company and its goals;
- c. responsibility required to be shouldered by the CEO & Managing Director, the industry benchmarks and the current trends;
- d. the Company’s performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the KRAs / KPIs.
- e. Performance assessment is carried out using the 9 block framework where individuals are rated on the 9 block matrix basis their achievement on goals and Thermax behaviours.

(5) Remuneration Policy for Senior Management:

The NRC, while determining the remuneration of Senior Management (KMPs and Executive Council Members) shall ensure the following:

- i. The remuneration is divided into Fixed component & Variable Component (Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP) – LTIP only post NRC approval)
- ii. The division between fixed and variable is based on the roles & responsibilities, the Company’s performance vis-à-vis KRA & KPIs, industry benchmark and current compensation trends in the market.

Actual performance of individual Reportee will be discussed by the MD at the year end. Based on the appraisal and overall performance of the Company and after considering the market trends, suitable increments/variable pay shall be decided by the MD.

The MD & CEO will present a snapshot of evaluation carried out to assess the performance of the Executive Council, while recommending the annual increment to the NRC, for its review and approval.

Version control		
Owner of document: Board of Directors		
Amendment	Approved by	Approved on
1 st Amendment	Board of Directors	May 10, 2024