



## **GUJARAT INDUSTRIES POWER COMPANY LIMITED**

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### **NOMINATION & REMUNERATION - CUM – BOARD DIVERSITY POLICY**

#### **I. PREAMBLE**

Pursuant to Section 178 of the Companies Act, 2013 (the Act) and Clause 49 of the Listing Agreement (LA), Gujarat Industries Power Company Limited (GIPCL/the Company) is required to constitute Nomination & Remuneration Committee of Directors of the Company (N&R Committee). In due compliance with the same, the Board of Directors of the Company (the Board), at its meeting dated 13<sup>th</sup> May, 2014, constituted the N&R Committee to:

- i. Formulate the criteria for determining qualifications, positive attributes and independence of directors and recommend to the Board Policy relating to the remuneration of Directors, Key Managerial Personnel (KMP) and other employees;
- ii. Formulate the criteria for evaluation of Directors including Independent Directors and the Board;
- iii. Devise a policy on diversity of the Board of Directors;
- iv. Identify persons who are qualified to become Directors including Managing Director and/or Whole-time Directors and who may be appointed in Senior Management in accordance with the criteria laid down;
- v. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel (SMP).

The Policy shall be open to suitable modification(s) upon any future amendment(s) in the Act and/or LA or Rules.

## II. OBJECTIVE

In view of the above background, the Nomination & Remuneration Policy (the Policy) is formulated to enable the Committee to execute its role and responsibilities relating to nomination and remuneration of Directors, Key Managerial Personnel and Senior Management.

## III. DEFINITIONS

**“Board”** means the Board of Directors of the Company.

**“Company”** means Gujarat Industries Power Company Limited.

**“Independent Director” (ID)** means a Director referred to in Section 149 (6) of the Companies Act, 2013 (the Act).

**“Key Managerial Personnel” (KMP)** means (i) Chief Executive Officer or the Managing Director or the Manager, (ii) Company Secretary, (iii) Whole-time Director, (iv) Chief Financial Officer and (v) such other officer as may be prescribed.

**“Nomination & Remuneration Committee”** means a Committee of Directors of the Company, constituted or reconstituted by the Board of Directors, from time to time, in accordance with the provisions of Section 178 of the Act and the LA.

**“Policy or This Policy”** means Nomination and Remuneration Policy.

**“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.

**“Senior Management”** mean personnel of the Company who are members of its Internal Management Committee (IMC).

## IV. GUIDING PRINCIPLES

It is further clarified that in the case of GIPCL the remuneration to the Managing Director, since he/she is an IAS officer, would be governed by the terms and conditions as to remuneration applicable in his grade

whereas in the case of other directors the company only pays the sitting fee and incidental expenses for attending the meetings of the Committee of Directors as well as the Board. It is further clarified that the sitting fee in respect of other IAS directors is being deposited with the government treasury at the end of each financial year based on his/her actual attendance. No sitting fee or incidental expense is being paid to the Managing Director.

## **V. APPLICABILITY**

The Policy is applicable to:

- Directors (Executive and Non Executive);
- Key Managerial Personnel;
- Senior Management Personnel (i.e. General Manager & above).

This Policy shall not be applicable in respect of appointment of Directors by Order of the Government of Gujarat pursuant to the Articles of Association of the Company.

## **VI. COMPOSITION AND FUNCTIONING**

The constitution, composition and functions of the Nomination and Remuneration committee shall be in line with the requirement of the Companies Act, 2013 and its Constitution shall be disclosed in the Annual Report. Tenure of the Committee shall be continuous unless terminated by the Board of Directors. The Board shall constitute or reconstitute the Committee from time to time to make it consistent with the applicable statutory requirements.

The Company Secretary shall act as the Secretary of the Committee. Minutes of the meetings shall be recorded and maintained by the Company Secretary and subsequently presented to the Chairman of the Committee for approval.

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

Chairman of the Nomination and Remuneration Committee should be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

## **VII. PROCEDURE FOR SELECTION AND APPOINTMENT**

- The Committee shall follow the procedure mentioned below for appointment of Director, Independent Director, KMP and Senior Management Personnel and recommend their appointments to the Board.
- The Committee shall consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and accordingly recommend to the Board his / her appointment.
- The Company should ensure that the person so appointed as Director/ Independent Director/KMP/Senior Management Personnel shall not be disqualified under the Act, rules made there under, Listing Agreement or any other enactment for the time being in force.

In case of the appointment of Independent Director, Independent Director should comply with the additional criteria of his / her independence as prescribed under the Act, rules framed there under and the Listing Agreement. For selection of Independent Director, the Company may use the data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by anybody, institute or association, as may be notified by the Central Government, having expertise in creation and maintenance of such data bank.

The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made there under, Listing Agreement or any other enactment for the time being in force.

## **VIII. REMUNERATION**

The Committee will recommend the remuneration to be paid to the Managing Director, Wholetime Director, KMP and Senior Management Personnel to the Board for their approval. The Committee shall ensure that:

The level and composition of remuneration so determined shall be reasonable and sufficient to attract, retain and motivate Directors, Key Managerial Personnel and Senior Management of the quality required to run the company successfully;

The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and,

Remuneration to Directors, KMP and Senior Management 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.

**A. Managing Director/ Whole-time Director(s)**

Besides the above criteria, the Remuneration/ compensation/ commission etc to be paid to Managing Director, Whole-time Director(s) etc shall be governed as per provisions of the Act read with Schedule V and rules made there under or any other enactment for the time being in force.

**B. Non-Executive Independent Directors**

The Non-Executive Independent Directors may receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof, reimbursement of expenses for participation in the Board and other meetings and profit related commission if so decided and approved by the Board/Shareholders as per the provisions of the Act.

Provided that the amount of such fees shall not exceed the amount as prescribed under the Act read with the rules made there under or any other enactment for the time being in force.

Further, independent director shall not be entitled to any stock option. The Non-Executive Independent Directors may be paid remuneration for services rendered in any other capacity, like to serve as a member of Selection Committee for recruitment of Senior Management Personnel and/or any other specific assignment given by the Company from time to time. The remuneration paid for such services shall be subject to provisions of the Act and approval of the Nomination-cum-Remuneration Committee.

Provided that the payment of remuneration for services rendered by any such director in other capacity shall not be included in the overall ceiling prescribed under the Act read with Schedule V and rules made there under, if –

- (a) The services rendered are of a professional nature; and
- (b) In the opinion of the Committee, the director possesses the requisite qualification for the practice of the profession.

**C. KMPs/ Senior Management Personnel etc.**

The Remuneration to be paid to KMPs/ Senior Management Personnel shall be based on the experience, qualification and expertise of the related personnel and governed by the limits, if any, prescribed under the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

#### **IX. DIVERSITY OF THE BOARD COMPOSITION AND FUNCTIONING:**

The present composition of the Board of Directors is such that it includes the expertise of Directors from diverse fields so as to steer the Company in the right direction with the support and guidance available in the different fields.

The composition of Directors encompasses the expertise in the field of Finance, FOREX management, Agriculture, engineering, management, human relation, policy making etc. The Committee shall review and assess the extent to which the appropriate mix of diversity, skills, experiences and expertise are represented on the Board and report to the Board from time to time.

The Directors contribute their respective expertise in meeting overall business objectives of the Company and it is only due to their contribution the company is able to sustain and grow despite rough economic weather.

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

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## **POLICY FOR EVALUATION OF BOARD PERFORMANCE**

### **1. INTRODUCTION:**

Gujarat Industries Power Company Limited (hereinafter referred to as "the Company") believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior, in consonance with the Company's Code of Conduct policy for its employees and also for the Board of Directors.

Honesty, integrity and sound judgment and performance of the Directors and the Senior Management are key criteria for the success and for building a good reputation of the Company. Each Director and executive in the Senior Management is expected to comply with the same in letter and spirit. Apart from this Code, The Code of Conduct for Directors/Employees shall also be applicable, additionally and specifically to the Senior Management of the Company Mutatis Mutandis. Any actual or potential violation of these Codes by the Board Directors would be a matter of serious concern for the Company.

Therefore, the Company has made this policy to comply with various provisions under the clause 49 of the Listing Agreement entered into by the Company with Stock Exchanges in India as per the SEBI Regulations published vide its Circular No. CIR/ CFD/ POLICY CELL/ 2/ 2014 dated April 17, 2014 as amended and published vide its Circular No.CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014 and also the formal annual evaluation made by the Board of Directors of its own performance (self-appraisals) and that of its Committees and individual Directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Companies Act, 2013. The Nomination & Remuneration Committee shall evaluate the performance of the each Board of Director as per subsection (2) of Section 178 and based on the functions of the Board of Directors as indicated under Schedule IV (as per section 149) annexed are the text of relevant section/s of the Companies Act, 2013 and the Rules made there under.

### **2. DEFINITIONS:**

**"The Act"** shall mean the Companies Act, 2013;

**"The Company"** shall mean Gujarat Industries Power Company Limited.

**“The Director”** or “the Board”, in relation to the Company, shall mean and deemed to include the collective body of the Board of Directors of the Company including the Chairman of the Company.

**“The Independent Director”** shall mean an Independent Director as defined under section 2 (47) to be read with section 149 (5) of the Act.

**“The Policy”** or “this Policy” shall mean the Policy for Evaluation of performance of Board of Directors of the Company.

**“The Committee”** or “this Committee” this Committee shall mean the Nomination & Remuneration Committee of Directors of the Company formed under the provisions of Section 178 of Companies Act, 2013.

### **3. OBJECTIVE:**

The Object of this policy is to formulate the procedures and also to prescribe and lay down the criteria to evaluate the performance of the entire Board of the Company.

### **4. PERFORMANCE EVALUATION:**

Appraisal of each Director of the Company shall be based on the broad criteria mentioned below shall be done as required under the provisions of the clause (p) of subsection (3) of Section 134 of the Companies Act, 2013.

1. Knowledge of the Job Profile;
2. Various Directions provided in the best interest of the Company on key issues; review of compliance management;
3. Achievement of Targets budget v/s actual and reasons for deviations; contribution towards new projects;
4. Detailed analysis of internal control function;
5. Thorough compliance with the Code of conduct;

The Committee shall evaluate the performance of each member of the Board of the Company with reference of the authority under the Nomination and Remuneration Policy of the Company framed in accordance with the provisions of section 178 of the Companies Act, 2013 and the evaluation criteria shall be as hereinbefore mentioned.

Evaluation of Independent Director shall be carried on by the entire Board in the same way as it is done for other Directors of the Company. The interested Director shall not participate in the evaluation/s.



Based on the performance evaluation of each and every Director and the Chairman of the Company, the Committee shall provide the ratings based on each criterion.

**5. SEPARATE MEETING FOR EVALUATION OF PERFORMANCE OF BOARD MEMBERS:**

Evaluation of the Executive Directors of the Company shall be carried out by the entire Board except the Director being evaluated. The meeting for the purpose of evaluation of performance of Board Members shall be held at least once in a year and the Company shall disclose the criteria laid down by the Nomination and Remuneration Committee for performance evaluation on its web site for the reference and also in the Annual Report of the Company.

