

ANDREW YULE & COMPANY LIMITED

(A Government of India Enterprise)

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POLICY STATEMENT ON NOMINATION, REMUNERATION, SUCCESSION AND DIVERSITY OF BOARD

1.0 INTRODUCTION

Andrew Yule & Co. Ltd. (AYCL) is a Schedule-B, Central Public Sector Enterprise (CPSE) under the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Govt. of India, was incorporated on 26th May, 1919.

AYCL being a CPSE, the appointment, tenure, remuneration and other terms and conditions of Directors are decided by the President of India.

However, the Companies Act, 2013 which came into effect w.e.f. 1st April, 2014 provides for a major overhaul in the Corporate Governance norms for all companies and in absence of any special exemptions to Government Companies, we are required to comply with the new Corporate Governance norms.

In addition, vide Circular No.CIR/CFD/POLICYCELL/2/2014 dated 17-04-2014 and Circular No.CIR/CFD/POLICYCELL/7/2014 dated 15-09-2014 the Securities and Exchange Board of India (SEBI) has also revised the existing Corporate Governance Norms for listed companies by amending the Equity Listing Agreement with the objectives to align with the provisions of the Companies Act, 2013, adopt best practices on corporate governance and to make the corporate governance framework more effective. The revised Clause 49 has become applicable to all listed companies with effect from October 01, 2014 while Clause 35B is applicable with immediate effect.

Subsequently, in exercise of the powers conferred by section 11, sub-section (2) of Section 11A and Section 30 of the SEBI Act, 1992 (15 of 1992) read with Section 31 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Securities & Exchange Board of India, notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [hereinafter referred to as SEBI (LODR) Regulations, 2015] vide Notification No. SEBI/LAD-NRO/GN/2015-16/013 dated 2nd September, 2015 whereby Corporate Governance & disclosure requirements contained in the erstwhile Standard Listing Agreement have been converted into regulations and given a regulatory force. The SEBI (LODR) Regulations, 2015 have become effective w.e.f. 1st December 2015.

2.0 STATUTORY REQUIREMENT

Both the Companies Act, 2013 as well as the SEBI (LODR) Regulations, 2015 prescribe requirement for constitution of Nomination and Remuneration Committee and formulation of a Nomination & Remuneration Policy. The relevant statutory provisions are elaborated hereunder:

A. Companies Act, 2013

Section 178 of Companies Act, 2013 prescribes the following requirements:-

- (1) The Board of Directors of every listed public company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors:
- (2) The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down ,recommend to the Board their appointment and removal and shall 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.
- (3) The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- (4) The Nomination and Remuneration Committee shall, while formulating the policy under sub-section(3) ensure that -
 - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) remuneration to directors, key managerial personnel and senior management 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:

Provided that such policy shall be placed on the website of the company, if any, and the salient features of the policy and changes

therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report.

- (8) In case of any contravention of the provisions of section 177 and this section, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both:

Explanation: The expression “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 executive directors, including the functional heads.

Subsequently, vide a notification dated 5th June, 2015, the Central Government has partially exempted the Government Companies from sub-sections (2), (3) and (4) of Section 178 of Companies Act, 2013 as under:-

“Shall not apply to Government Company except with regard to appointment of senior management and other employees”.

However, in such cases too, the Nomination & Remuneration Committee will take into consideration the Terms of Appointment issued by Govt. of India/the Company to the concerned employee keeping in view relevant rules applicable to CPSEs for such categories of employees.

B. SEBI (LODR) Regulations, 2015

The provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with regards to Nomination, Remuneration, Succession & Diversity of Board are as under:-

Regulation 4(2)(f)(ii) - Key functions of the board of directors-

- (3) Selecting, compensating, monitoring and when necessary, replacing key managerial personnel and overseeing succession planning.
- (4) Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
- (5) Ensuring a transparent nomination process to the board of directors with the Diversity of thought, experience, knowledge, perspective and gender in the board of directors.

Regulation 17(4) - The Board of directors of the listed entity shall satisfy itself that plans are in place for orderly succession for appointment to the board of directors and senior Management.

Regulation 19 – Nomination and Remuneration Committee

- (1) The board of directors shall constitute the nomination and remuneration committee as follows:
 - (a) the committee shall comprise of at least three directors;
 - (b) all directors of the committee shall be non-executive directors; and
 - (c) at least fifty percent of the directors shall be independent directors.
- (2) The Chairperson of the nomination and remuneration committee shall be an independent director:

Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.
- (3) The Chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be upto the chairperson to decide who shall answer the queries.
- (4) The role of the nomination and remuneration committee shall be as specified as in Part D of the Schedule II.

SCHEDULE II - PART D: ROLE OF COMMITTEES (OTHER THAN AUDIT COMMITTEE)

A. ROLE OF NOMINATION AND REMUNERATION COMMITTEE:

Role of committee shall, inter-alia, include the following –

- (1) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to the remuneration of the directors, key managerial personnel and other employees;
- (2) formulation of criteria for evaluation of performance of independent directors and the board of directors;
- (3) devising a policy on diversity of board of directors;
- (4) identifying 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 of directors their appointment and removal;
- (5) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

SCHEDULE V: ANNUAL REPORT

- C. Corporate Governance Report: The following disclosures shall be made in the section on the corporate governance of the annual report -

- (4) Nomination and Remuneration Committee:
- (a) brief description of terms chairperson;
 - (b) meeting and attendance during the year;
 - (c) performance evaluation criteria for independent directors.
- (5) Remuneration of Directors:
- (a) all pecuniary relationship or transactions of the non-executive directors vis-a-vis the listed entity shall be disclosed in the annual report;
 - (b) criteria of making payments to non-executive directors, alternatively, this may be disseminated on the listed entity's website and reference drawn thereto in the annual report;
 - (c) disclosures with respect to remuneration: in addition to disclosures required under the Companies Act, 2013, the following disclosures shall be made:
 - (i) all elements of remuneration package of individual directors Summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc;
 - (ii) details of fixed component and performance linked incentives, along with the performance criteria;
 - (iii) service contracts, notice period, severance fees;
 - (iv) stock option details ,if any and whether issue data discount as well as the period over which accrued and over which exercisable.

3.0 AYCL'S POLICY STATEMENT ON NOMINATION, REMUNERATION, SUCCESSION AND DIVERSITY OF BOARD

AYCL being a CPSE under the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Govt. of India, in terms of Articles 115 of Articles of Association of the Company, the powers of nomination, appointment, remuneration, deciding terms and conditions of appointment of Directors, succession and diversity of the Board vests with the President of India, acting through Ministry of Heavy Industries & Public Enterprises and other Government Directives.

Thus the policy for Nomination and Remuneration of Directors, KMPs and Senior Management Personnel is determined by the President of India, through various directives, stipulations, guidelines, notifications, circulars issued from time to time by the Department of Public Enterprises (DPE), Public Enterprises Selection Board (PESB) or any other Department of the Government of India. Similarly, the composition and succession of Board Members is also decided by Government of India.

Since, the Board or the Company has not been vested with any powers in these matters, the Policy Statement on Nomination, Remuneration, Succession and Diversity of the Board contains merely a description of

policies & procedures enforced in the Company by the Government of India and is divided into following chapters/ parts:-

Part-I: Nomination & Remuneration Policy

A. Nomination Policy

B. Remuneration Policy

Part-II: Board Diversity Policy

Part-III: Board Succession Policy

PART-I: NOMINATION & REMUNERATION POLICY

A. Nomination Policy

Article 92 of Company's Articles of Association of the Company stipulates that "the President shall from time to time determine in writing the number of Directors of the Company which shall be not less than three and not more than fourteen. The Directors are not required to hold any qualification shares".

Accordingly, all the Whole-Time and Part-Time Official/Non-Official Directors are nominated by the President of India acting through the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises.

The policy and procedure for nomination and appointment of various types of Directors on the Board is summarized as under –

I. Board of Directors:

- a) CMD & Functional Directors - The Chairman & Managing Director and other Functional Directors are selected by the Public Enterprises Selection Board (PESB) and appointed by the Government of India through the order of the administrative Ministry i.e. Ministry of Heavy Industries & Public Enterprises.
- b) Part-time Official Directors (Govt. Nominee) – 2 (Two) Part-Time Official Directors are nominated and appointed by the Government of India through the order of the administrative Ministry.
- c) Part-time Non-Official Directors (Independent Directors) – The proposals for appointment of Part-time Non-official Directors on the Boards of CPSEs are initiated by the concerned Administrative Ministry. The selection of Part-time Non-Official Directors is made by the Department of Public Enterprises (DPE). The concerned Administrative Ministry/Department appoints the Part-time Non-Official Directors on the basis of recommendations of DPE.

For the purpose of compliance with Section 149 read with Clause IV(2) of Schedule IV Companies Act, 2013 the appointment of the Independent Directors is also approved by the Shareholders in the immediately next Annual General Meeting.

II. Key Managerial Personnel:

The Key Managerial Personnel of the Company other than the Managing Director and the Whole-time Directors are recruited/ elevated as such in accordance with Company's HR policy and appointed through a Board Resolution.

The individuals so appointed are designated as Key Managerial Personnel through a Board Resolution.

III. Senior Management Personnel:

Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the Board are recruited/elevated in accordance with Company's HR policy.

B. Remuneration Policy

As per Article 115 of Company's Articles of Association the President of India may from time to time, appoint the Chairman or any of the Directors to the office of the Managing Director(s) of the Company for such term and remuneration (whether by way of salary or other-wise) as he may think fit.

Further, Article 115 stipulates that the Directors shall be paid such remuneration as the President may, from time to time, determine. Subject to the provisions of the Companies Act, such reasonable additional remuneration, as may be fixed by the President, may be paid to any one or more of the Directors for extra or special services rendered by him or them or otherwise.

I. Board of Directors

- a. CMD & Functional Directors - The structure of pay & remuneration policy in respect of CMD & Whole time Directors in CPSE's is notified & regulated by Department of Public Enterprises (DPE), Ministry of Heavy Industries & public Enterprises, Government of India. DPE issues Guidelines/ Notifications from time to time which need to be mandatorily complied by the Government Company. Detailed HR/ Remuneration policies of the company are framed in accordance with DPE Guidelines and approved by the Board of Directors of the Company.
- b. Part-time Official Directors (Govt. Nominee) - No remuneration is payable to Nominee Directors of Government of India. However, travelling facilities and Hotel/ accommodation facilities are provided at par with entitlements of Whole-time Directors of the Company in connection with company's official business.

- c. Part-time Non-Official Directors (Independent Directors) – Department of Public Enterprises (DPE) has specified that the quantum of the sitting fee may be decided by the profit making Public Enterprises within the ceiling prescribed by the Ministry of Corporate Affairs.

However, as per Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 notified by MCA, a Company may pay a sitting fee to a Director for attending Meetings of the Board or Committees thereof, such sum as may be decided by the Board of Directors thereof which shall not exceed Rs.1 lakhs per Meeting of the Board or Committee there of or such amount as may be prescribed by the Central Govt. from time to time. However, an Independent Director shall not be entitled to any stock options of the Company.

In addition to sitting fee, travelling facilities and Hotel/accommodation facilities will also be provided to the Independent Directors at par with entitlements of Whole-time Directors of the Company for tours in connection with Company's official business.

II. Key Managerial Personnel & Senior Management Personnel

The structure of pay & remuneration policy in respect of all the Officers of the Company is notified & regulated by Department of Public Enterprises (DPE), Ministry of Heavy Industries & Public Enterprises, Government of India. DPE issues Guidelines/ Notifications from time to time which need to be mandatorily complied with by the Company. The detailed HR/Remuneration policies of the Company are framed in accordance with DPE Guidelines and approved by the Board of Directors of the Company.

PART-II: BOARD DIVERSITY POLICY

Articles 92 of Articles of Association of the Company stipulates that the President shall, from time to time, determine in writing the number of Directors of the Company which shall not be less than 3 (three) and not more than 14 (fourteen). The Directors are not required to hold any qualification shares.

Hence the power to decide size and composition of Board vests with the President of India. The present structure of the Board of the Company is as under:-

Category of Directors	No. of Sanctioned Posts
EXECUTIVE DIRECTORS	
Functional/Whole-time Directors:	
Chairman & Managing Director	1 (One)
Director (Planning)	1 (One)
Director (Finance)	1 (One)

Director (Personnel)	1 (One)
NON-EXECUTIVE DIRECTORS	
Part-time Official Govt. Nominee Director	2 (Two)
Part-time Non-official Independent Director	6 (Six)
TOTAL	12 (Twelve)

PART-III: BOARD SUCCESSION POLICY

In terms of Articles of Association of the Company, all the Powers regarding Nomination and Appointment of Directors vests with the President of India. The Board or the Company has not been vested with any powers in these matters.

Accordingly, Succession Policy in respect of all Whole-Time and Part-Time Official/ Non-Official Directors is determined by the President of India acting through the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Government of India.