

## NOMINATION AND REMUNERATION POLICY

### 1. PREAMBLE

- 1.1 Ingersoll – Rand (India) Limited (the '**Company**') recognizes the importance of attracting, retaining and motivating personnel of high calibre and talent for the purpose of ensuring efficiency and high standard in the conduct of its affairs and achievement of its goals besides securing the confidence of the shareholders in the sound management of the Company. For the purpose of attaining these ends, the Company has constituted a Nomination and Remuneration Committee which is entrusted with the task of devising a transparent reasonable and fair policy of remuneration for its directors, key managerial personnel and other employees.
- 1.2 The Companies Act, 2013 *vide* sub-section (3) of section 178, the Companies (Meetings of Board and its Powers) Rules, 2014 and Clause 49 of the Listing Agreement as amended by the Securities and Exchange Board of India *vide* Master Circular dated April 17, 2014 makes it mandatory for the Board of Directors of every listed company to constitute a Nomination and Remuneration Committee.
- 1.3 The objective of the Nomination and Remuneration Committee is to assist the Board of Directors of the Company in fulfilling its responsibilities to shareholders by :
- 1.3.1. ensuring that the Board of Directors is comprised of individuals who are best able to discharge the responsibilities of directors in consonance with the Companies Act, 2013 and the norms of corporate governance contained in the Companies (Corporate Social Responsibility Policy) Rules, 2014; and
- 1.3.2. ensuring that the nomination processes and remuneration policies are equitable and transparent.
- 1.4 The responsibilities of the Committee include :
- 1.4.1 formulating a criteria for determining qualifications, positive attributes and independence of a director;
- 1.4.2 recommending to the Board of Directors a policy, relating to the remuneration for the directors, key managerial personnel and other employees;
- 1.4.3 formulating a criteria for evaluation of performance of Independent Directors and the Board of Directors and on the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director;
- 1.4.4 devising a policy on Board diversity; and
- 1.4.5 identifying persons who are qualified to become directors and who may be appointed as part of the 'senior management' or core management team of the Company in accordance with the criteria laid down, and recommending to the Board of Directors the appointment and removal of such personnel.
- 1.5 This Nomination and Remuneration Policy has been formulated with a view to :
- 1.5.1 devise a transparent system of determining the appropriate level of remuneration throughout all levels of employees and teams in the Company;

- 1.5.2 encourage personnel to perform to their highest level;
  - 1.5.3 provide consistency in remuneration throughout the Company; and
  - 1.5.4 offer incentives on the premise of aligning the performance of the business with the performance of key employees and teams within the Company.
- 1.6 The Nomination and Remuneration Policy elucidates the types of remuneration to be offered by the Company and factors to be considered by the Board of Directors of the Company, Nomination and Remuneration Committee and management of the Company in determining the appropriate remuneration policy for the Company.

## 2. DEFINITIONS

Some of the key terms used in the Nomination and Remuneration Policy are as under:

- 2.1 **'Board'** means the Board of Directors of Ingersoll – Rand (India) Limited or the Company.
- 2.2 **'Committee'** means the Nomination and Remuneration Committee constituted by the Board of Directors of the Company in accordance with Section 178 of the Companies Act, 2013.
- 2.3 **'Director'** means a director appointed on the Board of the Company including executive; non-executive; and independent directors.
- 2.4 **'Employee'** means every employee of the Company (whether working in India or abroad), including the directors in the employment of the Company.
- 2.5 **'Key managerial personnel'** includes managing director, or Chief Executive Officer or manager and in their absence, a whole-time director; company secretary; and Chief Financial Officer.
- 2.6 **'Member'** means a director of the Company appointed as member of the Committee.
- 2.7 **'Nomination and Remuneration Policy'** shall mean the policy of remuneration of directors, key managerial personnel and other employees of the Company determined by the Nomination and Remuneration Committee.
- 2.8 **'Senior management'** means the 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.

## 3. NOMINATION AND REMUNERATION COMMITTEE

- 3.1 The Committee shall be formed by the Board of the Company. It shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors. The Board of the Company shall nominate directors as Members of the Committee from time to time.

3.2 The Chairman of the Committee shall be an independent director but shall not be the Chairperson of the Company. He shall be present at the Annual General Meeting, to answer the shareholders' queries and may determine as to who should answer the queries.

3.3 The presently nominated members of the Committee are :

- (i) Mr. H. C. Asher, Chairman
- (ii) Mr. D. C. Shroff
- (iii) Mr. Amar Kaul

#### **4. LETTER OF ENGAGEMENT OR CONTRACT OF EMPLOYMENT**

4.1 Non-executive directors shall enter into a letter of engagement with the Company, the terms and conditions of which shall be approved by the Board. The letter of engagement shall set forth the terms and conditions of the engagement, the performance expectations for the position, the remuneration package and added incentives for the director, the availability of the latter being contingent upon fulfillment of certain expectations of the Company measured by benchmarks of performance defined by the Company.

4.2 Executive directors, key managerial personnel and senior management employees shall enter into a contract with the Company clearly setting out the terms and conditions of the remuneration package for such person. The contract of employment shall set out the expectations for the performance, the key performance indicators, measures and criteria for assessment or evaluation of performance.

4.3 The Committee and the Board must approve the contracts of employment for the senior management and directors.

4.4 The Board shall disclose the terms and conditions of any contract of employment in accordance with the law.

#### **5. REMUNERATION STRUCTURE**

##### **5.1 REMUNERATION TO DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

The Board shall, in consultation with the Committee approve and finalize the forms of remuneration to be offered to directors, key managerial personnel, senior management and other employees. The remuneration package shall be composed of amounts that are fixed and variable and the endeavour of the Board and the Committee shall be to strike a balance between the fixed and variable components and thereby promote sustainable value for the Company and its shareholders over time.

##### **5.1.1 Fixed Remuneration**

The contract of employment entered into by the executive directors, key managerial personnel and senior management employees with the Company shall demarcate a fixed gross annual salary or base salary payable to the employee. The fixed remuneration or salary shall be determined according to complexities of the position and role of the employee, the relevant laws and regulations, conditions prevalent in the labour market and the scale of the business relating to the position. The fixed remuneration will reflect the core performance requirements and expectations of the Company.

### 5.1.2 **Performance Based Remuneration or Incentive-Based Payments**

The performance-based or incentive-based payments shall form part of the variable component of the salary payable to the employee. In addition to the fixed remuneration, the Company shall implement a system of bonuses and incentives reflecting short and long term performance objectives appropriate to the working of the Company and designed to lay emphasis on the direct relationship between performance and remuneration. Performance based remuneration shall be proportionate to and contingent upon the attainment of specific performance targets by employees in the Company. Incentive-based payments take into account factors such as performance of the employee, his conduct, responsibilities, position and role and shall be calculated as a percentage of the fixed remuneration.

### 5.1.3 **Severance Fees or Termination Benefits**

Each contract of employment entered into by the executive directors, key managerial personnel and senior management employees with the Company shall demarcate in advance the entitlement to payment upon termination of employment for each employee. Making of such payments shall be approved by the Board and the Committee and shall be in consonance with the Nomination and Remuneration Policy of the Company.

### 5.1.4 **Employee Benefits**

The Company shall comply with all legal and industrial obligations in determining the benefits available with employees, namely short-term benefits such as salaries, social security contributions, profit sharing and bonuses, post-employment benefits such as gratuity, pension retirement benefits, post-employment life insurance and post-employment medical care; other long-term employee benefits, including long-service leave, long-term disability benefits and termination benefits.

## 5.2 **REMUNERATION TO NON-EXECUTIVE DIRECTORS**

The Company shall pay remuneration to non-executive directors in such a manner so as to attract and maintain high quality members on the Board. Non-executive directors shall receive a fixed remuneration, including superannuation for their service and may be issued securities in the Company. Non-executive directors shall not be entitled to any performance-based incentives, bonus payments or retirement benefits.

## 6. **DISCLOSURES**

6.1 The Nomination and Remuneration Policy shall be disclosed in the Board's report of the Company prepared in accordance with sub-section (3) of section 134 of the Companies Act, 2013.

6.2 The Nomination and Remuneration Policy and the criteria for evaluation of performance or evaluation criteria as laid down by the Committee shall be disclosed in the Annual Report of the Company.

6.3 Payments to non-executive directors shall be either disclosed in the Annual Report of the Company or put up on the website of the Company and reference drawn thereto in the Annual Report. Further, the number of shares and convertible instruments held by non-executive directors shall be disclosed by the Company in its Annual Report.

- 6.4 With regard to payment of remuneration, the section on the corporate governance of the Annual Report of the Company shall contain the following disclosures, namely :
- 6.4.1 All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc;
  - 6.4.2 Details of fixed component and performance linked incentives, along with the performance criteria;
  - 6.4.3 Service contracts, notice period, severance fees; and
  - 6.4.4 Stock option details, if any - and whether issued at a discount as well as the period over which accrued and over which exercisable.

## **7. REVIEW AND IMPLEMENTATION**

- 7.1 The Executive Management shall conduct an evaluation of performance for all employees on an annual basis to monitor and review, and if necessary, revise the appropriateness of each remuneration package.
- 7.2 The remuneration package payable to the employees of the Company shall be approved by the Board.
- 7.3 The Committee shall be responsible for monitoring the implementation of the policy, conducting a review of the same from time to time and advising the Board on the mode of revision of the policy such as inclusion of long-term incentives that would contribute towards creating a sustainable value for shareholders of the Company.