

NOMINATION AND REMUNERATION POLICY

1. Introduction

- 1.1 This nomination and remuneration policy ("**Policy**") has been formulated, *inter alia*, for the nomination and remuneration of directors, key managerial personnel, members of senior management and other employees of INOX Air Products Limited (hereinafter referred to as "**the Company**") in accordance with the provisions of Section 178 (3) of the Companies Act, 2013 and the rules made thereunder, each as amended (the "**Act**") and Regulation 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**"). This Policy has been formulated by the nomination and remuneration committee and approved by the board of directors.

2. Objectives of the NR Committee

2.1 The NR Committee shall:

- A. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board a policy relating to the remuneration of directors, key managerial personnel and other employees.
- B. For every appointment of an independent director, the NR Committee shall evaluate the balance of skills, knowledge and experience on the board of directors and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the board of directors for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidate, the NR Committee may:
 - a. use the services of an external agencies, if required;
 - b. consider the candidate from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidate.
- C. Formulate the criteria for evaluation of performance of independent directors and the board of directors.
- D. Identify persons who are qualified to become directors and persons who may be appointed in key managerial and senior management positions in accordance with the criteria laid down in this policy.
- E. Recommend to the board, appointment and removal of director, key managerial personnel and members of senior management.
- F. Devise a policy on diversity of board of directors.
- G. 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.
- H. Recommend to the board of directors, all remuneration, in whatever form, payable to senior management.

3. Definitions:

- 3.1 **“Board” or “Board of Directors”** means the board of directors of the Company.
- 3.2 **“Director”** means director of the Company appointed to the Board including executive, non-executive and independent directors in accordance with the Companies Act, 2013.
- 3.3 **“NR Committee”** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.
- 3.4 **“Company”** means INOX Air Products Limited.
- 3.5 **“Independent Director”** means an independent director in relation to a company other than a Managing Director or a Whole-Time Director or a Nominee Director,
- (i) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
 - (ii) who is or was not a promoter of the Company or its holding, subsidiary or associate company or member of the promoter group of the Company;
 - (iii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
 - (iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the Company, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;
 - (v) none of whose relatives –
 - A. Is holding securities of or interest in the Company, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of ₹ 50 lakh or two percent of the paid-up capital of the IPO company, its holding, subsidiary or associate company, respectively;
 - B. Is indebted to the Company, its holding, subsidiary or associate company or their promoters or directors, for an amount exceeding two percent of the Company's gross turnover or ₹ 50 lakh, whichever is lower, at any time during the three immediately preceding financial years or during the current financial year;
 - C. Has given a guarantee or provided any security in connection with the indebtedness of any third person to the Company, its holding, subsidiary or associate company or their promoters or directors, for an amount exceeding two percent of the Company's gross turnover or ₹ 50 lakh, whichever is lower, at any time during the three immediately preceding financial years or during the current financial year; or
 - D. Has other pecuniary transactions or relationship with the Company, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income;
- Provided that the pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross

turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower;

(vi) who, neither himself/herself, nor whose relatives—

A. holds or has held the position of a key managerial personnel or is or has been employee of the Company or its holding, subsidiary or associate company or any company belonging to the promoter group of the Company, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his/her employment;

B. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

○ a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

○ any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

C. holds together with his relatives two percent or more of the total voting power of the Company; or

D. is a chief executive officer or director, by whatever name called, of any non- profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

E. is a material supplier, service provider or customer or a lessor or lessee of the Company;

(vii) who is not less than 21 years of age;

(viii) who is not a non-independent director of another company on the board of which any non-independent director of the Company is an independent director

(ix) who possesses such other qualifications as may be prescribed

3.6 **“Key Managerial Personnel”** in relation to the Company, means -

(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 under the applicable statutory provisions / regulations.

3.7 **“Senior Management”** shall mean the officers and personnel of the issuer who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the chief executive officer or managing director or whole time director or manager (including chief executive officer and manager, in case they are not part of the board of directors) and shall specifically include the functional heads, by whatever name called and the

persons identified as key managerial personnel, other than the Board of Directors, by the Company.

4. Applicability

- 4.1 The Policy is applicable to:
- A. Directors (executive and non-executive);
 - B. Key Managerial Personnel; and
 - C. Senior Management

5. Nomination and Remuneration Policy

- 5.1 This Policy is divided into three parts as follows:

A. Qualifications

Criteria for identifying persons who are qualified to be appointed as a Director, Key Managerial Personnel and Senior Management of the Company

a. Directors

Section 164 of the Act states disqualifications for appointment of any person to become Director of any Company. Any person who in the opinion of The NR Committee shall consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel 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/ Key Managerial Personnel/ member of Senior Management shall not be disqualified under the Companies Act, 2013, rules made thereunder, or any other enactment for the time being in force. The Director/ Independent Director/ Key Managerial Personnel/ member of Senior Management shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made there under, and any other enactment for the time being in force which is applicable to the Company.

b. Independent directors

For appointing any person as an Independent Director he/she should possess qualifications as mentioned in Rule 5 of The Companies (Appointment and Qualification of Directors) Rules, 2014 and should be compliant with requirements specified in Rule 6 of The Companies (Appointment and Qualification of Directors) Rules, 2014, as amended from time to time. Further, the NR Committee shall consider qualifications for Independent Directors as mentioned in herein earlier under the head 'definitions' and also their appointment shall be governed as per the provisions of Section 149 of the Companies Act, 2013 (as amended from time to time).

c. Senior Management, Key Managerial Personnel and other employees

The Company has an organogram displaying positions of Senior Management including Key Managerial Personnel and other positions with the minimum qualifications and experience requirements for each positions which commensurate with the size of its business and the nature and complexity of

its operations. Any new recruit in the Company is to match the requirements as prescribed in the organogram of the Company.

B. Remuneration

- The NR Committee will recommend the remuneration to be paid to the executive chairman, whole-time director and Key Managerial Personnel/members of Senior Management to the Board for their approval.
 - The level and composition of remuneration so determined by the NR Committee shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and members of Senior Management of the quality required to run the Company successfully. The relationship of remuneration to performance should be made clear and should meet appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
 - Additionally, as per the ESOP scheme of the Company,
- a. Structure of remuneration for the managing director/executive director/whole-time director, Key Managerial Personnel and Senior Management**
- The managing director/executive director/whole-time director, Key Managerial Personnel and Senior Management receive basic salary and other perquisites. The perquisites include other allowances and the total salary includes fixed and variable components.
 - The compensation paid to the executive directors (including Executive Chairman) will be within the scale approved by the shareholders. The elements of the total compensation, approved by the NR Committee will be within the overall limits specified under the Companies Act, 2013.
 - Besides the above criteria, the remuneration/ compensation/ commission etc to be paid to Executive Chairman /Whole-time Director etc shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.
 - The remuneration payable by the Company to the executive directors shall be subject to the conditions specified in the Act and the Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements.
- b. Structure of remuneration for non-executive directors (including Independent Directors)**
- The remuneration/ commission/ compensation to the Non-Executive Directors will be determined by the NR Committee and recommended

to the Board for its approval. The remuneration payable by the Company to non-executive directors shall be subject to the conditions specified in the Act and the Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements. The total remuneration may include all, or any combination of the following elements:

- i. Fees for attending meeting of the Board of Directors as permissible under Section 197 of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 and decided at the Meeting of the Board of Directors.
- ii. Fees for attending meetings of Committees of the Board which remunerate Directors for additional work on Board Committee as permissible under Section 197 of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 and decided at the Meeting of the Board of Directors.
- iii. Commission on net profits as permissible under Section 197 of the Companies Act, 2013 and decided by the Board from time to time to be payable to any of the Non-executive Director.
- iv. Non-Executive Directors are entitled to be paid all traveling and other expenses they incur for attending to the Company's affairs, including attending and returning from General Meetings of the Company or Meetings of the Board of Directors or Committee of Directors.
- v. Remuneration by way of professional fees to the non-executive Directors who, in the opinion of the Nomination and Remuneration Committee, possesses the requisite qualifications for the practice of the profession, for providing professional services to the Company.

Any increase in the maximum aggregate remuneration payable beyond permissible limit under the Companies Act, 2013 shall be subject to the approval of the Shareholders at the Annual General Meeting by special resolution.

c. Structure of remuneration for Key Managerial Personnel and Senior Management

The Remuneration to be paid to KMPs/ members of Senior Management 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.

C. Evaluation

a. Criteria for evaluating performance of Board members

The Directors including Independent Directors shall be evaluated on the basis of the following criteria i.e. whether they:

- act objectively and constructively while exercising their duties;
- exercise their responsibilities in a bona fide manner in the interest of the Company;
- devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- do not abuse their position to the detriment of the Company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- refrain from any action that would lead to loss of his independence;
- inform the Board immediately when they lose their independence;
- assist the Company in implementing the best corporate governance practices;
- strive to attend all meetings of the Board of Directors and the Committees;
- participate constructively and actively in the committees of the Board in which they are members;
- strive to attend the Board, Committee and general meetings of the Company;
- keep themselves well informed about the Company and the external environment in which it operates;
- do not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest; and
- abide by Company's memorandum and articles of association, Company's policies and procedures including code of conduct, insider trading guidelines etc.

b. Criteria for evaluating performance of KMPs/Senior Management and other employees

The HR department of the Company shall be responsible for evaluating the performance of KMPs/Senior Management and other employees.

6. Board diversity:

- 6.1 The Board of Directors may have the combination of Directors from the different areas / fields like production, management, quality assurance, finance, sales and marketing, supply chain, research and development, human resources etc. or as may be considered appropriate.

7. Directors' and Officers' Insurance

- 7.1 Where any insurance is taken by the Company on behalf of its Directors, KMPs/ Senior Management etc. for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel unless otherwise specifically provided under the Act.

Notwithstanding the above, the remuneration payable to the Directors, shall in no event be higher than such an amount prescribed under Section 196 and 197 of Companies Act, unless the same is approved by the Shareholders in accordance with the provisions therein.

8. Chairperson

- 8.1 Chairperson of the NR Committee shall be an Independent Director.
- 8.2 Chairperson of the Company may be appointed as a member of the NR Committee but shall not be a Chairperson of the NR Committee.
- 8.3 In the absence of the Chairperson, the members of the NR Committee present at the meeting shall choose one amongst them to act as Chairperson.
- 8.4 Chairperson of the NR Committee meeting could be present at the annual general meeting of the Company or may nominate some other member to answer the shareholders' queries.

9. Frequency of Meetings

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

10. NR Committee Members Interest

- 10.1 A member of the NR Committee is not entitled to participate in the discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated.
- 10.2 The NR Committee may invite such executives, as it considers appropriate, to be present at the meetings of the NR Committee.

11. Secretary

- 11.1 The company secretary of the Company shall act as secretary of the NR Committee.

12. Voting

- 12.1 Matters arising for determination at NR Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the NR Committee.

13. Adoption, Changes and Disclosure of Information

- 13.1 This Policy and any changes thereof will be approved by the Board based on the recommendation(s) of the NR Committee.
- 13.2 This policy may be reviewed at such intervals as the Board or NR Committee may deem necessary.

- 13.3 Such disclosures of this Policy as may be required under the Act and Listing Regulations may be made.

14. Dissemination of Policy

- 14.1 A copy of this Policy shall be handed over to all Directors within one month from the date of approval by the Board. This Policy shall also be posted on the website of the Company and the details of this Policy, including the evaluation criteria, shall be mentioned in the annual report of the Company.

15. Penalty for non-adherence of the clauses of the Policy

Any non-compliance with the provisions of this Policy shall be dealt with in accordance with the applicable provisions of the Companies Act, 2013, the rules made thereunder, the SEBI Act, 1992, the rules and regulations made thereunder, and other applicable laws and regulations.

16. Interpretation and Scope

In case of any conflict between the provisions of this Policy and of the statutory provisions, the statutory provisions shall prevail over this Policy. Any subsequent amendment/modification in the statutory provisions shall automatically apply to this Policy.