

# Nomination and Remuneration Policy



**BOSCH**  
Invented for life

|                     |  |
|---------------------|--|
| Document Name       | <b>Nomination &amp; Remuneration Policy</b>    |
| Company             | <b>Bosch Limited</b>                           |
| Prepared by         | <b>Company Secretary and the Bosch HR Team</b> |
| Last Updated on     | <b>August 23, 2019</b>                         |
| Version approved by | <b>The Board of Directors of Bosch Limited</b> |
| Effective Date      | <b>August 23, 2019</b>                         |

## Table of Contents

|  |    |
|--|----|
| Section 1: Nomination and Remuneration Policy .....  | 3  |
| 1.1 Legal Framework & Responsibilities of the Nomination and Remuneration Committee .....            | 3  |
| 1.2 Definitions .....  | 4  |
| 1.3 Composition and Chairmanship of the Nomination and Remuneration Committee .....                  | 4  |
| 1.4 Current constitution of the Nomination and Remuneration Committee .....                          | 5  |
| 1.5 Frequency of meetings and quorum .....   | 5  |
| 1.6 Committee members interest .....   | 6  |
| 1.7 Minutes of Committee Meeting .....   | 6  |
| 1.8 Compensation .....   | 6  |
| 1.9 Interpretations and amendments in law .....  | 6  |
| Section 2: Appendix: Reference Material .....  | 7  |
| 2.1 Appointment and removal of Director, KMP & SMP .....   | 7  |
| 2.2 Remuneration to Executives .....   | 7  |
| 2.3 Remuneration to Non-Executive Directors .....  | 8  |
| 2.4 Policy on Board diversity .....  | 9  |
| 2.5 Performance Evaluation of the Board, its committees and individual Directors .....               | 9  |
| Annexure 1a : RACI (Responsible, Approval, Consulted, Informed) for appointment of KMP and SMP ..... | 11 |
| Annexure 1b : RACI (Responsible, Approval, Consulted, Informed) for annual compensation review       | 12 |

## **Section 1: Nomination and Remuneration Policy**

### **1.1 *Legal Framework & Responsibilities of the Nomination and Remuneration Committee***

Bosch Limited shall constitute the Nomination and Remuneration Committee (NRC) through the Board. The NRC is central to the effective functioning of the Board and the responsibilities of NRC shall include in addition to the roles and responsibilities covered under this Policy any other such items as may be prescribed by Applicable Law or by the Board in compliance with applicable law from time to time. Section 178 of the Companies Act, 2013 (“Act”) read with the applicable rules thereto and provisions of clause 19 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 (together referred to as “Applicable Laws”) require the NRC of every listed company to:

- a) Identify persons who are qualified to become Directors and who may be appointed in Key Managerial Personnel (KMP) role(s) or Senior Management Personnel (SMP) role(s) in accordance with the criteria laid down, and recommend to the Board their appointment and removal
- b) Formulate the criteria for determining qualifications, positive attributes and independence of a Director
- c) Devising a policy on diversity of Board of Directors
- d) Specify the manner and criteria for effective evaluation of the performance of the Board, its committees and individual Directors to be carried out either by the Board, by the Committee or by an independent external agency and review its implementation and compliance. Basis the performance evaluation results of independent Directors, decide whether to extend or continue their term of appointment or not. Additionally, the committee may also oversee the performance review process of the KMP’s and SMP’s of the Company.
- e) Devise a succession plan for the Board, Key Managerial Personnel & Senior Management.
- f) Recommend to the Board of Directors a policy relating to the remuneration of the Directors, KMP and other employees including SMP, Recommend to the Board on the appointment / re-appointment / continuation of Directors on the Board 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.

This policy shall act as a guide or reference on some of the above-mentioned objectives.

## 1.2 Definitions

In this policy unless the context otherwise requires,

- a) "Act" means Companies Act 2013 and rules there under, as amended from time to time
- b) "Applicable Laws" means applicable provisions of the Act and the SEBI Regulations
- c) "Board" means the collective body of the Directors of the Company
- d) "Committee" means the Nomination & Remuneration Committee
- e) "Company" means Bosch Limited
- f) "Director" means a Director appointed to the Board of the Company
- g) "Independent Director" means as provided under Applicable Laws
- h) "Key Managerial Personnel" or "KMP" means as provided under Applicable Laws
- i) "Policy" means the Nomination and Remuneration Policy
- j) "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
- k) "SEBI Regulations" mean the SEBI LODR (Listing Obligations & Disclosure Requirements) Regulations, 2015
- l) "Senior Management" or "Senior Management Personnel" or "SMP" means as provided under Applicable Laws. In the context of the Company, SMP means all direct reportees at Vice President and above levels reporting to the Managing Director/Chief Executive Officer, except temporary or project-based positions; and critical function head at Vice President level but not reporting to Managing Director/Chief Executive Officer.

## 1.3 Composition and Chairmanship of the Nomination and Remuneration Committee

The members of the Committee will be appointed by the Board and may be removed by the Board at its discretion. The Board has the power to constitute / reconstitute the Committee from time to time to make it consistent with Bosch's policies and applicable statutory requirements. The Committee shall comprise of at least three Directors and at least fifty percent of the Directors shall be independent Directors. All Directors of the committee shall be non-executive Directors. However, the executive chairperson of the Board (if any) may be appointed as a member of the NRC but shall not chair the Committee. The Chairperson of the Committee shall be an independent Director and shall be appointed by the Board. In case the Chairperson is not present at any Committee meeting, the members present at the meeting shall, amongst themselves, elect a Chairperson for that particular meeting. The Chairperson of the NRC may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.

#### **1.4 Current constitution of the Nomination and Remuneration Committee**

The Nomination and Remuneration Committee constituted by the Board of Directors committee shall comprise of at least three directors. All directors of the Committee shall be non-executive directors and the Chairperson of the Committee shall be an independent director.

Membership of the Committee shall be disclosed in the Annual Report. The terms of the Committee members shall be continued unless terminated by the Board of Directors.

#### **1.5 Frequency of meetings and quorum**

The NRC shall meet at least once a year and has the authority to convene additional meetings, however, it is recommended that the Committee meet at least 2 times in every financial year as may be required. Meetings are convened by written notice to each of the members of the NRC and all members of the NRC are expected to attend each meeting. The NRC may invite other members of the management, consultants or other external experts, if required. Formal decisions are made by a simple majority vote, with the Chairman of the meeting holding a casting vote. The NRC is empowered to convene its meeting(s) through video conferencing. The presence of members through Video Conferencing shall be counted for a valid quorum. Such meetings shall be convened and held in compliance of the guidelines issued by Ministry of Corporate Affairs for convening the meetings through video conferencing.

The quorum for an NRC meeting shall be either two members or one third of the members of the NRC, whichever is greater, including at least one independent director in attendance. A duly convened meeting of the NRC at which the requisite quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the NRC. The NRC will report on its meetings to the Board.

The Company Secretary shall act as the Secretary of the Committee and shall finalize the agenda, in consultation with the Chairman of the NRC. The agenda and information concerning the business to be conducted at each meeting, shall be, as far as practical, communicated to the members at least a week in advance of each meeting to facilitate a meaningful overview.

### **1.6 Committee members interest**

A member of the 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

### **1.7 Minutes of Committee Meeting**

The Proceedings of all the NRC meetings must be minuted and signed by the Chairman of the Committee. The minutes of the Committee meetings shall be tabled at the subsequent Board and Committee meetings.

### **1.8 Compensation**

Members of Nomination and Remuneration committee shall receive such sitting fees and/ or commission, if any, for their services as Nomination and Remuneration Committee members as may be determined by the Board in its sole discretion.

### **1.9 Interpretations and amendments in law**

The Board of Directors may on recommendation of the NRC and in their discretion, make any changes/modifications and/or amendments to this Policy from time to time.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Act and rules prescribed therein, as may be amended from time to time and as per the SEBI Regulations as may be amended from time to time, shall have the meaning respectively assigned to them therein.

In the event of any conflict between the provisions of this Policy and of the Act or SEBI Regulations or any other statutory enactments, rules, the provisions of such Act or SEBI Regulations or statutory enactments, rules shall prevail over and automatically be applicable to this Policy and the relevant provisions of the Policy would be amended/modified in due course to make it consistent with the law.

## **Section 2: Appendix: Reference Material**

### **2.1 Appointment and removal of Director, KMP & SMP**

The appointment of a Director, Key Managerial Personnel and SMP will be based on the outcome of strategic planning. The recruitment process for selection to these categories of personnel commences after the approval of manpower requisitions by the appointing authority. Relevant approval of concerned is also obtained as part of the process, as deemed fit depending upon the level of hiring.

The Committee shall consider the standards of knowledge, skill, qualification, expertise and experience of the candidates for appointment as Director, KMP and SMP and accordingly recommend to the Board his/her appointment.

Considering that it is desirable to have access to global talent and also opportunities globally for development of Indian talent, approval is in consultation with the Business Board

With respect to removal of any Director, KMP and/or SMP, the NRC shall in consultation with either the Chairman, other Directors or CEO (as appropriate), review the performance and/or other factors meriting a removal and subject to the provisions of the Applicable Laws and the Articles of Association of the Company, recommend to the Board its course of action.

The RACI (Responsible, Approval, Consulted, Informed) for appointment of KMP and SMP is as per Annexure 1a.

### **2.2 Remuneration to Executives**

The Committee shall recommend to the Board a compensation and benefits relating to the remuneration of Directors, Key Managerial Personnel & Senior Management Personnel (and any other employee as deemed appropriate) as revised through the Annual Salary Review (ASR) process from time to time.

The NRC shall recommend to the Board the compensation packages for the above-mentioned individuals (including salaries and salary adjustments, incentives / benefits, bonuses, employment agreements, severance arrangements, change-in-control agreements / provisions etc) as applicable ensuring 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, KMPs and SMPs 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

Considering that it is desirable to have access to global talent and also opportunities globally for development of Indian talent, approval is in consultation with the Business Board. The same shall be subject to the approval of the shareholders of the Company and the Central Government, wherever required. The RACI (Responsible, Approval, Consulted, Informed) for annual compensation review is as per Annexure 1b.

Where any insurance is taken by the Company on behalf of its Directors, KMPs/ SMP 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.

The recommendation of the NRC with respect to remuneration to be based on, among other things, the company's financial position, trends and practices on remuneration prevailing in the industry as considered appropriate by the NRC.

In the event of no profit or inadequate profit, the NRC shall approve the remuneration payable to executives (if any), bringing objectivity in determining the remuneration package while striking a balance between the company's interest and that of shareholders.

### **2.3 Remuneration to Non-Executive Directors**

Non-Executive Directors may be eligible for sitting fees and commission not exceeding the limits prescribed under the Applicable Laws in addition to reimbursement of expenses for attending the meetings of the Board and its Committees.

- a) **Profit-related commission:** Profit-related commission may be paid within the monetary limit approved by the shareholders subject to the limit not exceeding 1% of the net profits of the Company as per the applicable provisions of the Applicable Laws. The approval of shareholders by special resolution shall be obtained if the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof
- b) **Sitting Fees:** Non-Executive Directors may receive remuneration by way of fees for attending the meetings of the Board or Committee(s) thereof provided



that the amount of such fees shall not exceed the amount as may be prescribed by the Central Government and Applicable Laws. The requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under Applicable Laws

- c) **Stock Options:** An Independent Director shall not be entitled to any stock option(s) of the Company

## **2.4 Policy on Board diversity**

The Board of Directors shall comprise of Directors having expertise in different areas / fields like Finance, Sales and Marketing, Banking, Engineering etc or as may be considered appropriate by the NRC and/or the Board. In designing the Board's composition, Board diversity to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Committee believes that a diverse and inclusive Board will be able to leverage a variety of perspectives which is essential for achieving long-term growth and development. The Committee policy on Board Diversity sets out the criteria for determining qualifications, positive attributes and independence while evaluating a person for appointment /re-appointment as Director or as KMP, with no discrimination on the grounds of ethnicity, nationality gender or race or any other such factor. While reviewing the composition of the Board, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above. The Board shall have at least one Board member who has accounting or related financial management expertise and at least one women Director.

## **2.5 Performance Evaluation of the Board, its committees and individual Directors**

The NRC shall formulate the criteria and the process for evaluation of performance of the Board, Individual Directors, Chairperson and the Committees of the Board and recommend the same to the Board. The evaluation shall be carried out either by the Board, by the Committee or by an independent external agency and the NRC shall review its implementation and compliance with Applicable laws as well as the criteria and process laid out. The evaluation of the Independent Directors shall be done by the entire board of directors which shall include:

- a) performance of the directors; and
- b) fulfilment of the independence criteria as specified and their independence from the management as specified under Applicable Laws

Directors who are subject to this evaluation shall not participate in their own evaluation.

The independent directors of the Company shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting. The independent directors in their separate meeting shall, inter alia:

- a) review the performance of non-independent directors and the board of directors as a whole
- b) review the performance of the chairperson of the Company, taking into account the views of executive directors and non-executive directors
- c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the Board of Directors that is necessary for the Board of Directors to effectively and reasonably perform their duties

Basis the evaluation results, the NRC will make its recommendations to the Board on the appointment / re-appointment / continuation of Directors on the Board.

## Annexure 1a : RACI (Responsible, Approval, Consulted, Informed) for appointment of KMP and SMP

|                               |  | India |                                  | Global/Germany |         |                | NRC |
|-------------------------------|--|-------|----------------------------------|----------------|---------|----------------|-----|
|                               |  | HR    | Full Time Directors <sup>^</sup> | HR             | Manager | Business Board |     |
| Appointment of SMP            |  |       |                                  |                |         |                |     |
| Planning and definition phase |  |       |                                  |                |         |                |     |
| 1                             | Roles & Responsibilities for the position, position evaluation             | R     | C                                | A              | C       |                | I   |
| 2                             | Sourcing and identification - internal                                     | R     | C                                | R/A            | C       |                |     |
| 3                             | Sourcing and identification – external                                     | R/A   | C                                |                | C       |                |     |
| Execution phase : Selection   |  |       |                                  |                |         |                |     |
| 4                             | Evaluation of the candidates   | R     | A                                | C              | R       |                |     |
| 5                             | Selection of the candidate   | R/A   | A                                | C              | R/A     | A*             |     |
| 6                             | Concurrence meeting with the prospective SMP                               | R     |                                  |                |         |                | A   |
| Implementation & closure      |  |       |                                  |                |         |                |     |
| 7                             | Acceptance of contract, likely joining date & organization change circular | R/A   | I                                | R*/A*          | I       |                | I   |

<sup>^</sup> MD+ respective ED

\* For SVP and above

## Annexure 1b : RACI (Responsible, Approval, Consulted, Informed) for annual compensation review

|                               | India |                                  | Global/Germany |         |                | NRC |
|-------------------------------|-------|----------------------------------|----------------|---------|----------------|-----|
|                               | HR    | Full Time Directors <sup>^</sup> | HR             | Manager | Business Board |     |
| Annual compensation review    |       |                                  |                |         |                |     |
| Planning and definition phase |       |                                  |                |         |                |     |
| 1                             | R     | A                                |                |         |                |     |
| 2                             | R     | A                                |                |         |                | I   |
| 3                             | R     | A                                |                |         |                | C   |
| 4                             | R     | A                                | C/R*           |         | A*             | A** |
| Execution phase :             |       |                                  |                |         |                |     |
| 5                             | R     | A                                | I/R*           |         | R*             |     |
| 6                             | R     | A                                | I/R*           | C       | A*             | A** |
| 7                             | R     | A                                | I/R*           |         | A*             | A** |
| Implementation and closure    |       |                                  |                |         |                |     |
| 8                             | R     |                                  |                |         |                | A   |

**Note:**

**\*\* Considering that it is desirable to have access to global talent and also opportunities globally for development of Indian talent, approval is in consultation with the Business Board**

**^ MD+ respective ED**

**\*For SVP and above**