

MAHARASHTRA NATURAL GAS LIMITED

Nomination and Remuneration Policy

PREAMBLE

The Board of Directors of Maharashtra Natural Gas Limited (“the Company”) has adopted the following policy for Nomination and Remuneration of Directors, Key Managerial Personnel, Senior Management Personnel and Other Employees.

This Policy has been formulated in accordance with the requirements of the provisions of Section 178 of the Companies Act, 2013 read along with the applicable Rules made thereunder.

1. OBJECTIVE OF THE POLICY

The key Objectives of the Policy would be:

- 1.1. To lay down criteria for identifying persons who are qualified to become Directors and who may be appointed in Senior Management of the Company in accordance with the criteria laid down by the Nomination & Remuneration Committee and recommend to the Board their appointment and removal.
- 1.2. To lay down criteria to carry out evaluation of every Director’s /KMP/Senior Management Personnel and other employees performance.
- 1.3. To formulate criteria for determining qualification, positive attributes and Independence of a Director;
- 1.4. To recommend to the Board a policy, relating to remuneration of directors, key managerial personnel and other employees.

2. DEFINITIONS

2.1. Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

2.2. Board means Board of Directors of the Maharashtra Natural Gas Limited.

2.3. Directors mean Directors on the Board of the Company.

2.4. Key Managerial Personnel or KMP means

2.4.1. Chief Executive Officer or the Managing Director or the Manager;

2.4.2. Whole-time director;

2.4.3. Chief Financial Officer;

2.4.4. Company Secretary; and

2.4.5. Such other officer as may be prescribed.

2.5. Nomination and Remuneration Committee means ‘Nomination and Remuneration Committee constituted by the Board of Directors of the Company from time to time under the provisions of the Act.

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2.6. Policy means the Nomination and Remuneration Policy.

2.7. Other employees means all the employees other than the Directors, KMPs and the Senior Management Personnel.

2.8. Senior Management means 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 Executive Directors, including Functional Heads.

As on Date one level below KMP includes:

- a) Head of Planning & Projects (Shri Shatrunjay Singh, GM)
- b) Operation & Maintenance and Marketing (Shri Milind Narharshettiwar , CGM)
- c) Finance & Accounts (Shri Mayuresh Ganu, Chief Manager)
- d) Human Resource (Shri Sachin Kale, Sr. Manager)

Such personnel which in the opinion of the Board be considered to be as a part of Senior Management for the purpose of this policy.

2.9 Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 or the Rules made thereunder, as the case may be, as may be amended from time to time shall have the meaning respectively assigned to them therein

3. COMMITTEE

3.1. The Board shall determine the membership of the Nomination and Remuneration Committee. The Board has re-constituted the Committee by circulation on April 13, 2015

3.2. The Committee shall comprise of three non-executive directors, of which not less than one-half shall be independent directors

3.3. The Company Secretary of the Company shall act as Secretary to the Committee

3.4. Term of the Committee shall be continued unless terminated by the Board of Directors.

3.5. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.

3.6. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson other than chairperson of the Company.

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

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

3.10 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee

3.11 Matters arising for determination at 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 Committee.

3.12 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

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3.13 Proceedings of all meetings must be recorded in minute book maintained for the purpose and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

4. ROLE OF COMMITTEE

4.1 Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee

The Committee shall:

- 4.1.1** Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- 4.1.2** Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- 4.1.3** Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- 4.1.4** Recommend the Board a policy relating to remuneration for the directors, KMP and other employees

4.2 Policy for appointment and removal of Director, KMP and Senior Management

4.2.1 Appointment criteria and qualifications

- a) The Committee shall identify and ascertain the 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.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position. The Committee may also dispense with requirements of the above qualifications by specifying reasons to the Board.
- c) The Committee should ensure that the person so appointed as Director/Independent Director shall not be disqualified under the Act, or any other enactment for the time being in force.
- d) The Director/Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of Act, 2013.
- e) The other employees shall be appointed and removed as per the HR policy and procedure of the Company
- f) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory

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statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

4.2.2 Term / Tenure

- a) **Managing Director/Whole-time Director:**
The Company shall appoint or re-appoint any person as its Chairman, Managing Director or Executive Director as per the Articles of Association of the Company and Joint Venture Agreement and pursuant to the provisions of the Act.
- b) **Independent Director:**
 - An independent director shall hold office for a term maximum up to five consecutive years on the Board of a company, but shall be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
 - No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
 - At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.
- c) **KMPs**
The Company shall appoint KMPs i.e. Company Secretary, Chief Financial Officer and Chief Executive Officer, if any, pursuant to the provisions of the Act and their tenure shall be subject to the Company's prevailing HR policy.
- d) **Senior Management Personnel and other employees**
The Company shall appoint the Senior Management Personnel and other employees as per the Company's prevailing policy. Also, their tenure/term shall be governed as the per the Company's prevailing HR policy.

4.2.3 Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP, Senior Management Personnel and other employees once in every financial year on the basis of the criteria as mentioned below:

- a) **Criteria for evaluation of Executive and Non-Executive Director(s) (including independent directors):**

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The performance evaluation of the Executive and Non-Executive Director(s) shall be done by the Committee and also by the Independent Directors in their separate meetings.

The performance evaluation of Independent Directors shall be done by the Committee and also by the entire Board of Directors excluding the Director being evaluated.

Evaluation of each Director of the Company including Independent Directors shall be based on the following Performance parameters:

1. Attendance and active participations in the Board Meetings, General Meetings and Committee meetings in which the director is member
2. Devotion of sufficient time and attention to his/her professional obligations for informed and balanced decision making
3. Balance of knowledge, expertise, experience in the key areas like finance/accounts/legal/human resource/Corporate Governance/technical areas etc and reasonable understanding of environment in which business is being operated
4. Participation in constructive and active manner in meetings and ability to put forth independent and unbiased views/inputs/directions including raising concerns in the best interest of the Company on critical issues
5. Physical and mental fitness, broader thinking, rational, vision, leadership qualities etc.
6. Review of integrity of financial information & controls and risk management
7. Review of Legal Compliance Management System in the company
8. Assistance in implementing the good corporate governance practices
9. Disclosure of interest and avoidance of conflict of interests in company's transactions resulting in to personal gain in direct or indirect manner and safeguarding stakeholders' interest
10. Maintaining confidentiality and acting in bona fide manner in the interest of the company and stakeholders
11. Maintaining relationship of mutual trust respect with other members on the Board
12. Compliance with articles of association of the company and applicable laws
13. Compliance with the Code of conduct for Directors
14. Contribution towards new projects
15. Ability to create a performance culture to align with company's value, standard and performance goal.

In addition to the evaluation criteria Directors, as above-said, Executive Director(s) shall also be evaluated on the basis of targets / Financial Performance of the Company / any other criteria as may be given to them by the Board of Directors from time to time.

In addition to the evaluation criteria as above-said, Independent Directors shall also be evaluated on the basis of the following criteria i.e. whether they:

- (a) Refrain from any action that would lead to loss of independence,
- (b) Inform the Board immediately when they lose their independence.

b) Criteria for evaluating performance of Key Managerial Personnel and Senior Management Personnel:

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The performance evaluation of KMP's and Senior Management Personnel shall be done by their respective reporting heads based on the KRA's given to them at the beginning of the year.

c) Criteria for evaluating performance of Other Employees:

The performance evaluation of other employees shall be done by Managing Director & DC of the Company or any other employee that the Managing Director & DC may deem fit, based on the KRA's given to them at the beginning of the year.

4.2.4 Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act and as per the prevailing HR policy of the Company.

4.2.5 Retirement

The Director, KMP and Senior Management Personnel and other employees shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Independent Director shall vacate the office at the end of the tenure for which they are appointed by the Board but shall be eligible for re appointment.

4.3 Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel and other employees

4.3.1 General

- a) The remuneration / compensation / commission etc. to the Director, KMP and Senior Management Personnel will be determined by the Committee on the basis of their evaluation and shall be recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- b) The remuneration (including sitting fees) and commission to be paid to the Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
- c) Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.
- d) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees 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. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

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4.3.2 Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

- a) **Fixed pay:**

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.
- b) So far as remuneration of the Managing Director & Director Commercial is concerned, it will be governed by Gas Authority of India Limited (GAIL) & Bharat Petroleum Corporation Limited (BPCL). Hence as per the arrangement with GAIL/BPCL, MNGL, the Nomination & Remuneration Committee of the Board will consider and if thought fit and proper, will adopts the remuneration provided by the GAIL/BPCL subject to Schedule V and other provisions of the Companies Act, 2013.
- c) **Minimum Remuneration:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- d) **Provisions for excess remuneration:**

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

4.3.3 Remuneration to Non- Executive / Independent Director:

- a) **Remuneration / Commission:**

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.
- b) **Sitting Fees:**

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed as may be prescribed by the Companies Act 2013 and Central Government from time to time.
- c) **Commission:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.
- d) **Stock Options:**

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An Independent Director shall not be entitled to any stock option of the Company.

4.3.4 Remuneration to Other Employees:

The power to decide structure of remuneration for other employees has been delegated to the HR department of the Company which will be further approved by Nomination & Remuneration Committee and Board.

5. DISCLOSURES

The Policy shall be disclosed in the Annual Report of the Company.

6. AMENDMENT(s)

The Board of Directors may review or amend this policy, in whole or in part, from time to time, after taking into account the recommendations from the Committee.