

CEAT SPECIALTY TYRES LIMITED

Policy on Appointment, Training, Evaluation and Remuneration

1.0	OBJECTIVE/APPLICABILITY:
	<p>This Policy aims to:</p> <ul style="list-style-type: none"> (i) Ensure compliance of the applicable provisions of the Companies Act, 2013 (the Act) relating to the appointment, training & evaluation and remuneration of the Directors, Senior Management Personnel, including Key Managerial Personnel, (ii) adopt best practices to manage the affairs of the Company in seamless manner. (iii) achieve good corporate governance as well as sustained long-term value creation for stakeholders. (iv) achieve the benefits of having a diverse Board to enhance the quality of the Board. <p>This policy will be applicable to the Appointment, Training, Evaluation and Remuneration of the Directors, Key Managerial Personnel, and Senior Management Personnel.</p>
2.0	DEFINITIONS:
	<ul style="list-style-type: none"> (i) "Act" means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time. ii) "Board" means Board of Directors of the Company. iii) "Company" means CEAT Limited. iv) "Directors" means Directors of the Company. (v)




Managing Director (MD) means a director who, by virtue of the articles of a Company or an agreement with the Company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the Company and includes a director occupying the position of managing director, by whatever name called.

vi) Whole-time Director (WTD) in relation to Company includes a director in whole-time employment of the Company.

vii) Non Executive Directors (NED) in relation to Company means a member of a Company's Board of Directors who is not in whole time employment of the Company.

viii) Independent Director (ID) in relation to Company shall have the same meaning as defined under Section 149(6) of the Act and Clause 49 of the erstwhile Listing Agreement/ SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

ix) Key Managerial Personnel (KMP) mean:

the Chief Executive Officer (CEO) or the Managing Director(MD);

the Company Secretary (CS);

the Whole-time Director (WTD);

the Chief Financial Officer (CFO); and

such other officer as may be prescribed by the Board of Directors from time to time.

(x) Senior Management Personnel (SMP) in relation to Company includes all the employees of the Company at Senior Vice-Presidents grade and above.

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

3.0 DIVERSITY IN THE BOARD OF DIRECTORS

3.1 Scope and Vision:

Diversity refers to the variety of attributes of diverse nature between people and encompasses acceptance, respect and an understanding that each individual is unique. These differences can include age, gender, ethnicity, physical abilities, marital status, ideologies, background, knowledge and skills.

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With a view to achieving a sustainable development, the Company shall aim to increase diversity at the Board level, as an essential element in terms of :

Experience of diverse nature, more precisely described in Clause 4.01 below, to enable the Board.

Gender in having the right representation of female members which will eventually also satisfy



	<p>in the criteria of the Companies Act, 2013 and Clause 49 of the erstwhile Listing Agreement (as may be changed from time to time) /SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015.</p> <p>Qualifications, Knowledge and Skills.</p> <p>Ideologies.</p>
3.03	Diversity at the Board level shall be used a tool for supporting the attainment of the strategic objectives of the Company and also to drive business results. Accordingly, while designing the composition of the Board, diversity shall be considered on all aspects and all appointments shall be based on meritocracy.
3.04	The Company shall use diversity also to enhance the reputation of the Company.
3.05	The Company is committed to meritocracy and shall respect diversity within the Board members and shall have an inclusive culture where all view shall be heard and all opinions respected.
4.0	REQUIREMENTS RELATING TO DIRECTORS
4.1	<p>Appointment of Directors:</p> <p>The Company shall appoint only those persons who possess requisite qualifications & experience, as described in Clause 4.02 and positive attributes as described in Clause 4.04 below, within overall framework of diversity as described in Clause 3 above.</p>
4.2	<p>Qualifications & Experience:</p> <p>(i) Any person to be appointed as a Director on the Board of Directors of the Company, including Independent Director shall, in addition to a formal professional qualification, posses appropriate skills, experience and knowledge in one or more fields viz. sciences, actuarial sciences, banking, finance, economics, law, management, sales, marketing, administration, research, corporate governance or technical operations.</p> <p>(ii) Any person to be appointed as a Director on the Board of the Company shall be such person who shall be able to provide policy directions to the Company, including directions on good corporate governance. Prior experience of being a Chief Executive Officer, Managing Director or a Whole-time director of any company shall be given importance while considering appointment.</p>
4.3	<p>Additional requirement for appointment of Audit Committee member:</p> <p>Any Director who is proposed to be appointed as a member of the Audit Committee, shall also possess the following additional qualifications & experience:</p>



(i) He/she should be financially literate and possess the ability to read and understand basic financial statements i.e. Balance Sheet, Statement of Profit and Loss Account and Cash Flow

Statement.

(ii) He/she should have accounting or related financial management expertise. A person will be considered to have accounting or related financial management expertise if he/she possesses experience in finance or accounting or requisite professional certification in accounting, or any other comparable experience or background which results in the financial sophistication.

(iii) He /she is or has been chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

4.4 Positive attributes:

(i) The person to be appointed as a Director of the Company shall, in addition to the formal qualifications and relevant experience described in Clause 4.02 above, shall also possess the attributes such as integrity, leadership, business orientation, commitment and proven track record and such other attributes, which in the opinion of the NRC, are in the interest of the Company.

(ii) For assessing integrity and suitability, the following shall be given due consideration by NRC:

- (a) Criminal records,
- (b) Financial position & civil actions initiated to pursue personal debts,
- (c) Refusal of admission to or expulsion from professional bodies,
- (d) Sanctions applied by regulators or similar bodies,
- (e) Previous questionable business practices
- (f) Any other relevant information.

4.5 Disqualification:

(i) Any person to be appointed as Director shall not possess the following disqualifications prescribed in Section 164 (1) of the Companies Act, 2013:

- (a) He/she shall not be less than 21 years of age.



- (b) He/she shall not be of unsound mind nor stand so declared by a competent court.
- (c) He/she shall not be an undischarged insolvent.

- (d) He/she has not applied to be adjudicated as an insolvent and his/her application is pending.
- (e) He/she has not been convicted of an offense, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence.

(ii) A person shall however not be appointed as director of the Company, if he is a director in a company which has failed to:

- (a) File Financial Statements or Annual Returns for any continuous period of three financial years;
- (b) Repay deposits or pay interest thereon on due date
- (c) Redeem debentures on due date or pay interest due thereon
- (d) Pay dividend already declared by the said company, and such defaults continue for one year or more.

4.6 Automatic vacation of the office:

A Director shall automatically vacate his office in the following cases:

- (a) He/She attracts any disqualification mentioned Clause 4.05
- (b) He/She absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board of Directors;
- (c) He/She acts in contravention of the provisions of section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested.
- (d) He/She fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested, in contravention of the provisions of section 184.

4.7 Applicability of Policies:

All persons appointed as Directors of the Company, including the Managing Director and the Executive Director(s) shall ensure compliance with the following Policies and Procedures adopted by the Company from time to time.

- (i) The Code of Conduct for Directors and Senior Management Personnel,
- (ii) Code of Fair Disclosure and Conduct (For Regulating, Monitoring and Reporting of Trading by Insiders) under Insider Trading Regulations issued/amended by Securities



Exchange Board of India from time to time,

- (iii) Whistle Blower Policy,
- (iv) Code of Corporate Governance and Ethics or
- (v) Any other policy or procedures as may be framed/ adopted by the Company which is applicable to the Directors.

4.8 Training and Evaluation :

- (i) The NRC shall carry out the evaluation of performance of every Director as under:
 - (a) Before re-appointment of executive and non-executive directors
 - (b) At the time of recommendation of any remuneration payable to executive and non-executive directors or changes therein, as per Clause 6 of this policy.
 - (c) At such other time, as the applicable laws or the circumstances may require
- (ii) In addition, the Board shall evaluate, every year, the performance of the individual directors including IDs, its own performance and also of its Committees. A statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance/of its Committees and Individual Directors shall be reported in the Board's Report.
- (iii) While evaluating the performance of the NED, by the NRC and/or Board, as the case may be, the following parameters, *inter alia*, shall be considered:
 - (a) Attendance at meetings of the Board and Committees thereof,
 - (b) Participation in Board meetings or Committee thereof,
 - (c) Contribution to strategic decision making,
 - (d) Review of risk assessment and risk mitigation,
 - (e) Review of financial statements, business performance.
 - (f) Contribution to the enhancement of brand image of the Company.
- (iv) While evaluating the performance of Executive Directors i.e. MD and WTD, the NRC, in addition to parameters mentioned in point (iii) above, shall also take in account the appropriate benchmarks set as per industry standards, the performance of the individual and also of the Company.
- (v) In addition to the above, the Independent Directors shall evaluate the performance of Non-Independent Director's, Chairman of the Board and the Board at least once in a year at a separate meeting of Independent Directors.

(vi) The Company shall provide familiarization programmes and suitable technical or business



	related training to the NEDs including IDs. Any other need based training shall also be provided.
5.0	REQUIREMENT RELATING TO SENIOR MANAGEMENT PERSONNEL INCLUDING KEY MANAGERIAL PERSONNEL
5.1	Appointment of SMP including KMP:
	<p>(i) The appointment of the MD, CEO, WTD, CFO and the CS shall be approved by the Board of Directors by means of a resolution.</p> <p>(ii) KMP shall be employed by the Company only on a whole-time basis and hence they will not be permitted to take up employment anywhere else, except in the subsidiary of the Company on prior approval of the Board of Directors.</p> <p>(iii) The appointments of SMP shall be approved by MD on recommendation of the Human Resources Department (HRD).</p>
5.2	Qualifications & experience:
	<p>(i) Any person to be appointed as KMP or as SMP shall possess relevant educational or professional qualifications, experience and domain knowledge required for performing the job for which they are appointed e.g. in the fields of finance, economics, law, management, sales, marketing, materials, human resource, administration, research & corporate governance or technical operations.</p> <p>(ii) In addition to the above, they shall also possess such qualities that are required to do the job, but they should not be seen as substitutes for skills. For example, the ability to deal effectively with frustrated customers is a skill. Simply possessing patience (a personal quality) will not be enough.</p> <p>(iii) There shall be no discrimination on account of gender, race and religion in terms of appointment as KMP or SMP.</p>
5.3	Positive Attributes:
	(i) KMP and the SMP shall also possess attributes like decision making skills, leadership skills, integrity and proven track record and shall demonstrate commitment to the organization.



(ii) They shall meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision making.

5.04 Applicability of Policies:

KMP and SMP shall ensure compliance with the following policies and procedures adopted by the Company as amended from time to time:

- (i) Code of Conduct for Directors and Senior Management Personnel,
- (ii) Code of Fair Disclosure and Conduct (For Regulating, Monitoring and Reporting of Trading by Insiders) under Insider Trading Regulations issued/amended by Securities Exchange Board of India from time to time,
- (iii) Whistle Blower Policy,
- (iv) Code of Corporate Governance and Ethics or
- (v) Any other policy as may be framed/adopted by the Company from time to time.

5.05 Training and Evaluation:

- (i) MD/ CEO shall carry out the evaluation of all the SMPs and KMPs, excluding himself/herself and the WTD.
- (ii) The evaluation process adopted by the Company shall always consider the appropriate benchmarks set as per industry standards, performance of the Industry, the Company and of the individual KMP/SMP.
- (iii) Evaluation of performance shall be carried out at least once in a year, in accordance with the existing evaluation process of the Company.
- (iv) HRD shall be primarily responsible to identify training need for every KMP/SMP and prepare training calendar accordingly, in consultation with MD.

6.00 REMUNERATION:

6.01 Guiding Principles:

- (i) The terms of employment and remuneration of MD, WTD, KMPs and SMPs shall be



competitive in order to ensure that the Company can attract and retain competent talent

(ii) The Remuneration Policy shall ensure that:

(a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors/KMPs and SMPs of the quality required to run the Company successfully.

(b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

(c) Remuneration to directors, KMP and SMP involves a balance between fixed and variable pay reflecting short and long term performance objectives and goals set by the Company.

(d) Remuneration package is linked to the achievement of corporate performance targets and a strong alignment of interest with stakeholders

(iii) While determining the remuneration and incentives for the MD/ WTD and KMP's, the following shall be considered:

(a) pay and employment conditions with peers / elsewhere in the competitive market

(b) benchmarking with the industry practices

(c) Performance of the individual

(d) Company Performance

(iv) For the benchmarking with Industry practice, criteria of size, complexity, data transparency and geographical area shall also be given due consideration.

(v) The pay structures shall be appropriately aligned across levels in the Company.

6.2 Remuneration Policy:

1. SMPs & KMPS (other than MD/WTD):

(i) Remuneration packages shall be designed in such manner that:

a. Motivates delivery of key business strategies, creates a strong performance-orientated



environment and rewards achievement of the Company's objectives & goals over the short and long-term.

b. Attracts high-flier executives in a competitive global market and remunerate executives fairly and responsibly.

- (ii) Remuneration shall be competitive and shall include salary comprising of both fixed and variable components, performance incentives and other benefits such as retiral benefits, health care insurance and hospitalisation benefits, telephone reimbursement etc.
- iii) The remuneration to the KMPs at the time of his/her appointment shall be recommended by the NRC and approved by the Board. The remuneration of the SMP's at the time of his/her appointment shall be approved by the MD upon recommendation of the HRD. The remuneration may be a combination of fixed and variable pay considering relevant qualification, experience and performance of the individual as well as the prevailing market conditions.
- iv) Remuneration shall be evaluated annually and annual increase shall be decided considering the performance of the individual and also of the Company. Industry practices/ trends shall also be given due consideration. Annual increment /subsequent variation in remuneration to the KMPs shall be approved by the NRC/Board of Directors. Annual increment/subsequent variation in remuneration of SMPs shall be approved by the MD upon recommendation of the HRD.
- (v) Remuneration can be reset at any time considering the benchmark of international and domestic companies, which are similar in size and complexity to the Company. Benchmark information shall be obtained from internationally recognized compensation service consultancies.
- vi) The remuneration to be paid to the KMPs mentioned in Clause 5.01 (1) viz. CEO, CFO, CS shall be recommended by the NRC considering relevant qualification and experience of the individual as well as the prevailing market condition, and approved by the Board.
- vii) The remuneration to be paid to SMP's shall be determined by the MD considering evaluation mechanism and guiding principles of remuneration as mentioned in this Policy.
- viii) The NRC may consider grant of Stock Options to KMPs & SMPs pursuant to any Stock Option Plan adopted by the Company, if any.



2. MD/WTD:

- (i) Remuneration to the MD and WTD at the time of his/her appointment shall be proposed by the NRC and subsequently approved by the Board of Directors and the shareholders of the Company, whenever required.
- (ii) Annual increments /subsequent variation in remuneration to the MD and WTD shall be approved by the NRC/Board of Directors, within the overall limits approved by the shareholders of the Company.
- (iii) Remuneration shall be evaluated annually against performance and a benchmark of international and domestic companies, which are similar in size and complexity. Benchmark information shall be obtained from internationally recognized compensation service consultancies.
- (iv) Total remuneration for the MD and WTD shall be comprised of the following:
 - i. Salary (both fixed & variable).
 - ii. Perquisites like house rent allowance, domiciliary medical expenses and club memberships etc.
 - iii. Retirals, made in accordance with applicable laws and policies of the Company.
 - iv. In addition, they shall also be entitled to a Performance Bonus linked to their individual performance and also the performance of the Company and the individual.
 - v. It shall be ensured that total remuneration payable to MD and WTD's shall not increase 10% of the net profit of the Company (not exceeding 5% for MD), computed in accordance with Section 198 of the Companies Act, 2013.

3. NEDs:

- 4. NEDs shall be entitled to such sitting fees as may be decided by the Board of Directors from time to time for attending the meeting of the Board and of the Committee thereof.



	<p>5. NEDs shall also be entitled for payment of commission as may be recommended by NRC and subsequently approved by the Board of Directors, upto the limits permitted in Section 197 of the Companies Act, 2013 and wherever required approval of the shareholders of the Company shall be obtained from time to time.</p> <p>6. IDs shall not be eligible for any Stock Options, pursuant to any Stock Option Plan adopted by the Company.</p> <p>7. The NEDs shall be eligible for remuneration of such professional services rendered if in the opinion of the NRC, the NED possesses the requisite qualification for rendering such professional services.</p>
7.0	DIRECTOR AND OFFICER LIABILITY INSURANCE:
	<p>(i) The Company may provide an insurance cover to Directors, KMPS & SMPS for indemnifying them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust and the premium paid on the same shall not be treated as a part of remuneration paid to them.</p> <p>(ii) The premium paid by the Company for such insurance cover, called for Directors and Officers Liability Insurance Policy, taken for the above purpose shall be paid by the Company without any charge to the Directors, KMPS and SMPs.</p>
8.0	APPLICABILITY:
	<p>(i) This Remuneration Policy shall apply to all existing and future employment agreements with KMPS & SMPs and also with the Directors.</p> <p>(ii) In all respects, this Policy shall be subject to overall guidance of the Board of Directors. Any departure from the Policy shall be approved by the Board.</p>
9.0	DISCLOSURES:
	The Company shall disclose the following in the Board's report and the Financial Statements:



- (a) In the Board's Report, such particulars as are prescribed under the Companies Act, 2013 and Rules made thereunder and also the particulars as prescribed in Clause 49 of the Listing Agreement,
- (b) In the Corporate Governance Report, the particulars as prescribed in Clause 49 of the Listing Agreement/Listing Regulations.

10.0 EFFECTIVE DATE:

This policy will be deemed to be effective from July 27, 2016.

Version	1.0
Recommended by	Nomination & Remuneration Committee
Approved by	Board of Directors
Approval date	July 27, 2016

