

**NOMINATION AND REMUNERATION POLICY**  
**CHARTER FOR NOMINATION AND REMUNERATION COMMITTEE\***

**A. OBJECTIVES:**

The Nomination and Remuneration Committee ("Committee") Policy shall be in compliance with Section 178 of the Companies Act, 2013 read with the applicable Rules thereto and applicable Regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time. The key objectives of the Policy would be to:

- a. Assess necessary and desirable competencies of Board members.
- b. Determine the composition of the Board of Directors and the sub-committees of the Board and address issues of Board diversity.
- c. Formulate criteria for evaluation of Independent Directors and the Board.
- d. Ensure that appropriate procedures are in place to assess Board membership needs and Board effectiveness.
- e. Assist the Board's overall responsibility relating to executive compensation and recommend to the Board appropriate compensation packages for Whole-time Directors and Senior Management personnel in such a manner so as to attract and retain the best available personnel for position of substantial responsibility with the Company.
- f. Being responsible overall, of approving and evaluating the compensation plans, policies and programmes for Whole-time Directors, Key Managerial Personnel and Senior Management.
- g. The Committee shall also make sure that the Company's compensation packages, Human Resource practices and programmes are competitive and effective in motivating highly qualified personnel and establish a suitable relationship between compensation and performance.
- h. Review Board succession plans.
- i. Evaluate the Board's performance.
- j. To make recommendations to the Board on the appointment and removal of Key Managerial Personnel and Senior Management

**B. CONSTITUTION:**

The Company shall constitute the committee through the Board. The committee will be appointed by the Board and will serve at its discretion. The committee shall consist of minimum three non-executive Directors and at least half of them shall be Independent Directors.

The Board shall designate a member of the committee as the chairperson, provided that such chairperson shall be an independent director. The chairperson of the Company (whether executive or non-executive) shall not chair the committee, but can be a member of the committee. The chairperson of the committee, or in his/ her absence, any other member of the committee authorised by the chairperson of the committee, shall attend general meetings of the Company.

*\* Amended at the Nomination and Remuneration Committee and Board meeting held on February 4, 2019, February 11, 2022 and February 8, 2024.*

## **C. MEANING OF TERMS USED:**

- i. “Act” refers to the Companies Act, 2013 including the rules, schedules, clarifications, and guidelines issued by the Ministry of Corporate Affairs from time to time.
- ii. “Board” refers to the Board of Directors of Honeywell Automation India Limited
- iii. “Company” refers to Honeywell Automation India Limited (HAIL)
- iv. “Key Managerial Personnel” refers to
  - a. Managing Director or;
  - b. Chief Executive Officer or Manager and in their absence Whole-time Director;
  - c. Chief Financial Officer;
  - d. Company Secretary
- v. “Senior Management” shall mean officers/personnel of the Company who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below the Chief Executive Officer/Managing Director/Whole Time Director/Manager (including Chief Executive Officer/Manager, in case they are not part of the Board) and shall specifically include Company Secretary and Chief Financial Officer

## **D. ROLES AND RESPONSIBILITIES OF THE COMMITTEE:**

The roles and responsibilities of the Committee shall be to perform duties listed below and it will have the authority to undertake other specific duties as the Board prescribes from time to time. Key responsibilities include:

### **1. Role played with respect to Nominations:**

- a. Evaluating the selection process of the prospective Board members and making recommendation of the proposed nominees for election to the Board of Directors including to fill vacancies on the Board occurring between annual general meetings of the shareholders.
- b. Conducting searches for prospective board members whose skills and attributes reflect the requirements those desired.
- c. Formulating the desired/ preferred board skills, attributes and qualifications for selecting new directors and to review these skill-sets with the Board periodically.
- d. Evaluating and making recommendations to the Board regarding director retirements and directors’ offer to resign due to changes in circumstances, in accordance with the Company’s bylaws and Corporate Governance Guidelines of the Company.
- e. Evaluating and recommending termination of membership of individual directors in accordance with the Board’s corporate governance guidelines, for cause or for other appropriate reasons.
- f. Developing and overseeing the execution of a formal Board member capacity building programme, including such elements as orientation of new members, and continuing education and training, and a mentoring programme with senior Board members.
- g. Annually presenting to the Board a list of individuals recommended for nomination for election to the Board at the annual general meeting of shareholders

h. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees.

For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board 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 for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- a. use the services of an external agencies, if required;
- b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
- c. consider the time commitments of the candidates

i. Recommend to Board for its approval related to changes in positions of KMPs and other Senior Management (personnel who are members of core management team comprising all members of management one level below the executive directors, including the functional heads).

j. Appointment criteria and qualifications:

- i. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel or at Senior Management level and recommend to the Board his/ her appointment.
- ii. The candidate shall 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.
- iii. The appointment of any Director/ Key Managerial Personnel/ Senior Management shall also be governed by the prevailing policies of the Company.

k. The Committee may periodically consider reviewing the composition of the Board based on age, gender, experience, knowledge, skills and independence.

l. Assess extension or continuation of term of independent directors based on report of performance evaluation.

m. To develop, subject to approval by the Board, a process for an annual self-evaluation of the performance of the Board, the individual directors and board committees in the governance of the Company and to coordinate and oversee this annual self-evaluation. n. To carry out evaluation of every director's performance and support the Board and independent directors in evaluation of the performance of the Board, its Committees, and Individual Directors. This shall include "formulation of criteria and attributes for evaluation of performance of Independent Directors, the Board of Directors and its committees".

o. Evaluation of Individual Directors shall be based on criteria such as participation and contribution in Board and Committee meetings, representative of shareholder interest and enhancing shareholder value, experience and expertise to provide feedback and guidance to top management on business strategy, governance and risk, understanding of the organisation's strategy, risk and environment etc.

- p. Evaluation of the Board shall be based on criteria such as composition and role of the Board, Board communication and relationships, functioning of Board Committees, review of performance and compensation to Executive Directors, succession planning, strategic planning etc.
- q. In consultation with the MD, to review the performance of all the executive directors on the basis of detailed performance parameters set for each of the executive directors at the beginning of the year. The committee may, from time-to-time, also evaluate the usefulness of such performance parameters, and make necessary amendments.
- r. To review performance appraisals of the Managing Director and Executive Director, Chief Financial Officer, Company Secretary and Internal Auditor.
- s. Review and reassess the Nomination and Remuneration Committee Policy and provide appropriate recommendations to the Board to update the policy based on changes made due to regulatory amendments or internal mandates from time to time.
- t. Oversee familiarisation programme for Directors
- u. To maintain regular contact with the leadership of the Company, review of data from the employee survey and regular review of the results of the annual leadership evaluation process etc.
- v. The Committee shall work with Chairman to plan for MD/ Whole-time directors/ Key Managerial Personnel/ Senior Management succession including plans for interim succession in the event of an unexpected occurrence and submit an annual report to the Board to nominate potential successors to MD/ Whole-time directors/ Key Managerial Personnel/ Senior Management personnel.
- w. To devise a policy on Board diversity.
- x. The Committee shall disclose the criteria for performance evaluation, as laid down by the Nomination and Remuneration Committee in Company's Annual Report.
- y. The Committee shall perform any other activities in line with this Charter.
- z. Company's bylaws, Nomination and Remuneration Committee including activities and as may be required to be undertaken in terms of any statutory or regulatory requirements. The Chairman of the Nomination and Remuneration Committee could be present at the Annual General Meeting, to answer the shareholders' queries. However, the Chairman of the Company can decide who should answer the queries.

## **2. Role Played with respect to Remuneration:**

- i. Assisting the Board in Reviewing and approving corporate goals and objectives.
- ii. Evaluate the Whole-time Director performance in the light of these established goals and objectives.
- iii. Recommending to the Board for approval of the Whole-time Director's annual compensation level, Key Managerial Personnel and Senior Management including grant of HAIL stock options.
- iv. Discharging the Board's responsibilities relating to compensation payable to the Whole-time Directors including payment of:
  - a) annual base salary
  - b) annual bonus
  - c) Employment agreements, severance agreements and change in control agreements, and
  - d) any other benefits, compensation or arrangements

### **3. Remuneration Policy of the Company:**

Remuneration policy in the company is designed to create a high-performance culture. It enables the Company to attract, retain and motivate employees towards achievement of business results. Our Company promotes and rewards achievement of goals and behavior described by the 8 Honeywell Behaviors and 5 Honeywell Priorities.

While determining the remuneration/ compensation/ benefits etc. to the Managing Director, Executive Directors, Key Managerial Personnel and Senior Management Personnel, the Committee will keep in mind following criteria:

- i. 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;
- ii. That the remuneration is aligned with market when compared to relevant industry;
- iii. Balance with fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;
- iv. That the remuneration is appropriate for the Company as it exists today but anticipates future business needs; philosophically consistent around Honeywell's global policies but locally and culturally appropriate; understandable and valuable to the talent the Company wishes to attract, motivate, engage and retain; selected positions may be paid higher remuneration than market aligned industry; and higher remuneration/ retention plan may be considered for the purpose of retention of talent.

Our pay models are compliant with local regulations. The Company pays remuneration by way of salary, benefits, perquisites, allowances and variable incentives to its Managing Director and the Executive Directors. The Managing Director/ Executive Directors/ Key Managerial Personnel/ Senior Management Personnel may also be eligible for long-term incentives granted by the parent company, Honeywell International Inc., in the form of stock options, Restricted Stock Units, Performance Plan and in line with Honeywell International Inc. policies/ rules from time to time. Annual increments are reviewed by the Nomination and Remuneration Committee within the compensation scales approved by the members of the Company. NRC reviews and approves the commission/ incentive plan to be paid to the Managing Director and the Executive Directors out of the profits for the financial year and within the limits prescribed under the Act based on the performance of the Company as well as the individuals. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

### **4. Other Responsibilities:**

- a. To review and reassess the adequacy of the committee's charter as required and recommend changes to the Board for approval.
- b. The Committee shall disclose the policy and criteria of remuneration as part of Board's Report in Company's Annual Report.
- c. Review and recommend to the Board, all remuneration, in whatever form, payable to the Managing and Executive Director, Key Managerial Personnel and Senior Management Personnel.
- d. Advise the Board on payment of quarterly/annual commission to the Independent Non-Executive Directors.

- e. Advise the Board on revision in sitting fees.
- f. Remuneration payable to Directors in any other capacity, if any (e.g., for services rendered in professional capacity).

**5. Relating to Long Term Incentive Compensation Plan and Equity based plan of Honeywell Automation India Limited (if any) subject to Honeywell Inc. policy around HAIL LTI & Equity based plan:**

Acting as Administrator (as defined therein) of the Honeywell Automation India Limited (HAIL) Stock Option Plans/ HAIL Restricted Stock Unit Plans (if any) subject to Honeywell Inc. policy around HAIL LTI & Equity based plan drawn up from time to time and administering, within the authority delegated by the Board of Directors and within the terms and conditions of the said Plans. In its administration of the plans, this Committee may, pursuant to authority delegated by the Board of Directors;

- i. Determine, approve and ratify grant of HAIL stock options or HAIL stock purchase rights to individuals eligible for such grants under the plans and applicable law and
- ii. Approve and amend terms of HAIL Stock Option Plans/ HAIL Restricted Stock Units as it deems appropriate including amendments and changes in the number of shares reserved for issuance thereunder.

**6. Using a search or consulting firm:**

The Committee shall have the authority to use a Company approved search firm engaged to assist in identifying potential candidates for the position of directors, and to use outside Company counsel and any other advisors as the Committee may deem fit in its sole discretion.

**E. COMMITTEE MEETINGS AND MINUTES:**

- i. The Committee will meet at least two times in a year at such times and places as it deems necessary to fulfill its responsibilities. Additional meetings may happen as the Committee deems it appropriate and advisable.
- ii. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board or as mandated/amended by the Listing Regulations from time to time
- iii. The Committee shall make regular reports to the Board regarding its actions and make recommendations to the Board as appropriate.
- iv. The Committee shall prepare such reports as may be required by any law, rule or regulation to which the Company is subject.
- v. The Committee may invite such members of management to its meetings, as it deems appropriate. However, the Committee shall meet regularly without such members present, and the MD and any other such officers shall not be present at meetings at which their compensation or performance is discussed or determined.
- vi. The Committee shall report to the Board at its next Board meeting, which will be incorporated as a part of the minutes of the Board of Directors meeting.
- vii. The Company Secretary will maintain minutes of its meetings, which will be submitted to the Board for noting.

## **F. CIRCULAR RESOLUTION:**

The decisions to be taken by the Committee members may be taken by way of a circular resolution wherever it is not possible to have a physical meeting of the Committee members.

## **G. COMPENSATION OF MEMBERS OF THE COMMITTEE:**

Members shall receive such fees, if any, for their services as committee members as may be determined by the Board.

### **Fees & Commission guidelines for INEDs**

**Remuneration for Independent Directors (IDs):** The remuneration should be fair and comparable with comparator basket company market to attract, motivate and retain good ID non-executive talent. Remuneration practice should be consistent and determined based on comparable size, market practice and capital market scenario. The aggregate annual remuneration payable to the INEDs is determined by board, shareholders & subject to the limits prescribed by the Law of the land.

- a. **INED - Directors Sitting Fees** - The INEDs are entitled to sitting fees as determined by the Board, from time to time. Board to review fees for INEDs attending Board / Committee meetings, thereof in accordance with the provisions of Act & comparable with market practice & per proposal from the company. Sitting fees amount may be subject to review on a periodic basis after every 2 years, with -in the parameters prescribed by law, the payment of sitting fees will be recommended by the Honeywell to NRC and approved by the Board basis market practice and proposal.
- b. **Commission for INEDs**- The commission shall be paid to the INEDs which is fair and in line with comparable basket organisations. The aggregate annual remuneration payable to the INEDs is determined by Honeywell, shareholders & subject to the limits prescribed by the Law of the land, as per law not beyond 1% of the net profits of the Company to be paid as commission.

Commission amount would be determined considering the overall performance of the Company, INED attendance at the meetings of Board / Committees, Membership / Chairmanship of Committees, and contribution by the respective INEDs. The NRC Committee recommend to the Board, the quantum of commission for each Director based upon the outcome of the evaluation process & benchmarking. Honeywell Non-Executive and Non-Independent directors will not receive any remuneration

### **General guidelines**

- ✓ The IDs are not entitled to any stock options of the Company.
- ✓ INEDs shall be issued letters of appointment that recognize that, their service is at the discretion of shareholders.
- ✓ The quantum and structure of the Chairman's remuneration is set by the Board based upon a recommendation from the Nominations Remuneration Committee.
- ✓ The Chairman is not involved in setting his own remuneration. The Chairman's office is not maintained by the company however he is provided administrative support and all reasonable travelling for Honeywell, relevant expenses incurred in carrying out his duties are reimbursed as per HAIL travel policy.
- ✓ The Sitting Fees and commission would be review periodically after every 2 years
- ✓ Increment generally influenced by Biz performance, Inflation, Mkt benchmark.
- ✓ Commission would be paid to IDs annually.