Crompton Greaves Consumer Electricals Limited
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Date: October 28, 2024

To, **BSE Limited ("BSE")**, Corporate Relationship Department, 2nd Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001.	To, **National Stock Exchange of India Limited ("NSE")**, "Exchange Plaza", 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.
BSE Scrip Code: 539876	**NSE Symbol: CROMPTON**
ISIN: INE299U01018	**ISIN: INE299U01018**

Dear Sir/Madam,

Sub: <u>Postal Ballot Notice dated October 3, 2024</u>

This is further to our letter dated October 12, 2024, pertaining to Notice of Postal Ballot dated October 03, 2024, issued by the Company for seeking consent of the Members of the Company.

In response to queries received on Resolutions 1 and 2 from proxy advisory firm, we have provided clarifications to address the points raised by them. We are sharing the same to ensure parity with information as shared with the proxy advisory firm.

Background

The Nomination and Remuneration Committee ("**NRC**") appointed by the Board has consistently demonstrated sound judgment and fairness in evaluating company performance and determining vesting parameters for employee stock options. The NRC's evaluation approach is thorough and aims to reflect both absolute performance and industry-relative benchmarks.

Despite achieving a stronger performance than competitors last year, the NRC approved a vesting performance factor of only 75% for eligible stock options under ESOP 2019 which emphasizes its commitment to rigorous and objective assessments of the Company's performance. This policy of prudent evaluation, enabled due to the flexibility provided the NRC, ensures that employee compensation remains aligned with long-term shareholder value creation.

Addressing points of Concerns on Resolution 1 and 2:

The concerns are primarily due to not explicitly stating the:

(i) weightage of company performance versus individual performance in the determination of the vesting outcome; and
(ii) weightage and targets for the company performance metrics for the vesting of restricted stock units (RSUs).

It is important to recognize that the NRC adheres to a flexible yet structured approach that incorporates both quantitative and qualitative factors across multiple performance areas. This framework has been carefully calibrated to balance competitive industry standards, encourage employee motivation, and create shareholder value.

The NRC always factors in shareholder value creation by setting challenging and meaningful targets used in the evaluation of stock option vesting.

For the reasons set out below, it would be a disservice to both the eligible employees and the investors, and ultimately to the objectives of the RSU stock Plan if the weightages were concretely and firmly set at the inception of the Plan itself. However, for the purposes of comfort, the below more detailed indicative metrics have been provided.

Performance Evaluation Parameters and range of weightage:

Parameter	**Weightage Range (%)**	**Description**
Revenue	20% to 40%	Measured against both the annual financial plan and industry peers to ensure competitiveness
EBITDA	20% to 40%	Benchmarked against internal targets and industry averages to assess operational efficiency
Cash Flow	10% to 30%	Compared to the annual financial plan to support sustainable financial management
Relative Total Shareholder Return (R-TSR)*	10% to 40%	Evaluated against select listed companies in the comparable sector and relevant market indices to ensure returns align with broader market expectations

**NRC will apply a higher percentage of R-TSR for Senior Leadership team.*

As called out in performance evaluation parameters, a significantly large portion (greater than 50%) is determined by factors that are external in nature like R-TSR, Company's comparative performance against competition on revenue growth and EBIDTA margin. Therefore, the targets are transparent and measurable considering these are benchmarked to relevant industry players.

At an aggregate Company performance factor of less than 60% basis the performance evaluation criteria would result in no vesting to eligible employees. Also, the weightage between Company factor and Individual factor generally ranges from around 75% weightage on Company performance-and about 25% on individual performance with higher Company factor weightage at Senior level.

NRC's Discretionary and objective approach

It is prudent to note that the exact terms and conditions of vesting and exercise are dynamic in nature and cannot be determined / finalised at the time of formulation of the Performance based Restricted Stock Unit Plan – 2024 (**Plan**) itself as:

i. The categories of employees within the pool of eligible employees may vary in their grade, role and contribution to the Company, experience in the industry, time spent in the employ of the Company amongst other criteria, and accordingly what conditions may be favourable for a certain category of employees, may not be as favourable to another. Flexibility provided to the NRC in this regard, **will allow the NRC to consider the specific qualities and qualifications of the particular employee to whom the RSUs are being granted and tailor the vesting criteria to such employee's**. The consideration of the NRC towards the specific context of the employee's would further incentivize the employees to work toward the goal of participating in the Plan and receiving RSUs and eventually shares, which in turn allows the Plan to reach the objectives as intended by the Company, i.e., participation of the employees in the growth and profitability of the Company.

ii. The RSUs to be granted under the Plan will be granted over a period of several years and it would be impractical to peg certain terms and conditions of the Plan against the current market conditions. The market conditions at which the vesting criteria may be determined concretely, may no longer be relevant at a future date when RSUs are proposed to be granted to the eligible employees as these is a multi year grant programme and not an one-time grant. Accordingly, the RSUs and the Plan itself **may not be viewed as a fair reward by the Eligible Employees for their contributions to the Company or conversely could be seen as too lenient by the investors and may in fact defeat the objectives of the Plan itself.** Flexibility provided to the NRC not only provides them an opportunity to cater to the needs of the eligible employees but will also allow the NRC to take into consideration the current standing of the Company, including the valuation, shareholding structure, investor sentiment, market price, employee pool as on the date of the grant. The NRC's discretion in fine tuning the metrics and the weightages applicable allows for a balanced response to unforeseen economic factors that may impact the business environment. For instance, under adverse macro conditions affecting the entire industry, a more conservative weightage on Revenue or EBITDA may be warranted to avoid discouraging performance amid external pressures. By preserving this flexibility, the NRC ensures that employee incentives remain challenging yet fair, enabling the company to retain talent while driving sustainable growth.

iii. The vision of the Company and the NRC towards both (i) the manner in which it proposes to incentivise and reward its employees by considering the best manner for aligning the interests of the Company with such employees; and (ii) the overall growth of the Company and profits for the shareholders; over a period of time, may be accounted for by providing the NRC the flexibility in determining the exact terms and conditions of the Plan. This allows for the **existence of a dynamic and holistic Plan that may be implemented for several years and through several phases of the growth of the Company without repeated amendments**.

The NRC's approach is based on a blend of objective metrics and comparative industry analysis, ultimately fostering a performance-driven culture that aligns with shareholder expectations.

It is also to be noted that the discretion has not been provided to the operative Board of Directors of the Company, but only to the NRC, comprising 3 (Three) Independent Directors, who are not eligible for such stock grants and hence are unable to participate in the Plan itself – allowing for an objective and neutral approach to determine range of criteria in the overall interest of the Company and shareholders, while providing for employee motivation, drive and retention.

In conclusion as the existing ESOP 2019 program would seize to exist in near future it is imperative that we need to have an appropriate long term incentive plan suitably designed to address the long term growth of the company and value creation for shareholders. The Board believes that the proposed scheme meets these objectives.

Kindly take note of the same.

For **Crompton Greaves Consumer Electricals Limited**

Rashmi Khandelwal
Digitally signed by Rashmi Khandelwal
Date: 2024.10.28 17:48:58 +05'30'

Rashmi Khandelwal
Company Secretary & Compliance Officer
ACS – 28839