

NOMINATION AND REMUNERATION POLICY

1. Objective

This Policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been approved by the Nomination and Remuneration Committee (the Committee) and the Board of Directors.

2. Definitions

2.1. “Act” means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

2.2. “Board” means Board of Directors of the Company.

2.3. “Key Managerial Personnel” (KMP) means:

2.4. Managing Director, or Chief Executive Officer or Manager;

2.5. Whole-time Director;

2.6. Chief Financial Officer;

2.7. Company Secretary; and such other officer as may be prescribed.

2.8. “Senior Management” means the personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Chief Executive Office, including the functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 / SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (wherever applicable) as may be amended from time to time shall have the meaning respectively assigned to them therein.

3. Role of the Committee

3.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management

3.2. To recommend to the Board on policy on Remuneration payable to the Directors, Key Managerial Personnel, Senior Management and other employees

3.3. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board

3.4. To formulate the criteria for evaluation of Independent Directors and the Board

3.5. As defined in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013 including any amendments thereof

3.6. As may be prescribed the Board of Directors of the Company from time to time

4. Appointment and Removal of Director, KMP and Senior Management

4.1. Appointment Criteria and Qualifications

A person being appointed as Director, KMP or in Senior Management should possess adequate qualification, expertise and experience for the position he / she is considered for appointment.

4.1.1. Independent Director

4.1.1.1. Qualifications of Independent Director:

An Independent Director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, operations or other disciplines related to the Company's business.

4.1.1.2. Positive attributes of Independent Directors:

An independent director shall be a person of integrity, who possesses relevant expertise and experience and who shall uphold ethical standards of integrity and probity; act objectively and constructively; exercise his responsibilities in a bona-fide manner in the interest of the Company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.

4.2. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, 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, rules and regulations.

4.3. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

5. Remuneration

5.1. Principles of Compensation

Aim of the Committee will be to achieve balance between compensation and risks, considering the compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP). The Committee may also ensure 'fit and proper status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management.

5.2. Compensation Components

5.2.1. Fixed Pay – All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on such reimbursements.

5.2.2. Variable Pay – The variable pay may be in the form of share-linked instruments, or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.

5.3. Proportion of Variable Pay

The proportion of variable pay in total compensation will be commensurate with the role and risk-taking profile of KMPs/ senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable can be reduced to zero based on performance at an individual, business-unit and company-wide level. To facilitate this, performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees understand the incentive mechanism.

5.4. Deferral of Variable Pay

5.4.1. Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the Committee, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non cash components of the variable pay. Deferral period for such an arrangement may be decided by the Committee

5.5. Alignment with Risk

The compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, considering all relevant factors including adherence to statutory requirements and industry practices. The total compensation package may comprise of fixed and variable pay components aligned with prudent risk taking to ensure that it is adjusted for all types of risks. The compensation pay-outs are a mix of cash, equity and other forms of compensation which are consistent with risk alignment. The compensation outcomes are in line with the risk outcomes and are sensitive to the time horizon of risks.

5.5.1. Malus Arrangement: Deferred variable pay will be subject to Malus arrangement where in case of subdued or negative financial performance arising not on account of gross negligence or misconduct of the KMP/SMP, the Company may withhold cash incentives/bonus or vesting of share linked instrument and may lapse unvested share linked instrument in accordance with the share linked instrument plan.

5.5.2. **Clawback Arrangement:** Deferred and relevant paid variable pay will be subject to Clawback arrangement where in case of gross negligence or misconduct or cause as defined in the Company's code of conduct, the KMP and/or SMP shall be liable to return previously paid or vested deferred variable compensation.

5.5.3. The Committee may invoke Malus / Clawback clause with respect to the KMPs and SMPs in following situations:

- Gross negligence, reckless, or willful actions or exhibited inappropriate values and behavior. Errors of judgment shall not be construed to be breaches under this note. Material Misstatement of the company's results
- Exposing company to substantial risk
- Actions which bring reputational harms,
- Fraud that requires financial restatements
- Exercise his/her responsibilities in a mala fide manner
- Significant deterioration of financial health of the Company
- Exposing Company to substantial Risk
- Any other situation where the Committee deems invoking Malus and/or Clawback provision is necessary and justified.

5.5.4. The time horizon for the applicable of malus clause shall be deferral period or the Retention Period of the variable compensation, whichever is higher, from the date of reward

In general, the principles laid down in Clause 5.5 will be considered for governance and remuneration decisions related to other employees.

6. Remuneration Structures of Directors, KMP, Senior Management

6.1. Directors

6.1.1 Executive Directors (Managing Director, Manager or Whole Time Director)

1. At the time of appointment or reappointment, the Executive Directors shall be paid such remuneration as may be mutually agreed between the Company (which includes the Nomination and Remuneration Committee and the Board of Directors) within the overall limits prescribed under the Companies Act, 2013.
2. The remuneration shall be subject to the approval of the Members of the Company in the General Meeting as per the requirement of Companies Act, 2013.
3. The remuneration of the CEO & Managing Director is broadly divided into fixed and variable pay. In determining the remuneration (including the fixed increment and performance bonus) the Committee shall consider the following:
 - a. the relationship of remuneration and performance benchmark
 - b. balance between fixed and incentive pay reflecting short- and long-term performance objectives, appropriate to the working of the Company and its goals

- c. responsibility required to be shouldered, the industry benchmarks and the current trends
- d. the Company's performance vis-à-vis the annual budget achievement and individual performance

6.1.2. Non Executive Director

1. The Non-Executive Director may receive fees for attending meetings of Board or committee thereof. Provided that the amount of such fees shall not exceed Rupees One Lakh per meeting of the Board or committee, or such amount as may be prescribed by the Central Government from time to time.
2. A Non-Executive Director may be paid commission on an annual basis, of such sums may be approved by the Board on the recommendation of the Committee;
3. The Committee may recommend to the Board, the payment of commission on uniform basis, to reinforce the principles of collective responsibility of the Board.
4. In determining the quantum of commission payable to the Directors, the Committee shall make its recommendation after taking into consideration the overall performance of the Company and the onerous responsibilities required to be shouldered by the Director.
5. The total commission payable to the Directors shall not exceed 1% of the net profit of the Company;
6. The commission shall be payable on prorata basis to those Directors who occupy office for part of the year.

6.1.3. KMP & Senior Managerial Personnel

1. The remuneration / compensation / commission etc. to the KMP and Senior Management Personnel will be determined and approved by the Committee. The remuneration of managerial personnel shall be subject to the approval of the shareholders of the Company and Central Government, wherever required, as specified in Companies Act, 2013.
2. While approving the remuneration of the Key Managerial Personnel and Senior Management of the Company, the Committee will consider maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
3. The Committee shall consider and determine that the compensation of remuneration is reasonable and sufficient to attract retain and motivate KMP and Senior Management;

7. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

The Committee shall also formulate and provide criteria for evaluation of Independent Directors and the Board as a whole.

8. Other Details

8.1. Membership

The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent. The Chairperson of the Committee shall be an Independent Director.

The Chairperson of the Company shall not be a Chairman of the Committee. The term of the Committee shall be continued unless terminated by the Board of Directors.

8.2. Frequency of Meetings

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

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

8.3. Secretary

The Company Secretary of the Company shall act as Secretary of the Committee. In absence of Company Secretary, the Committee may designate any other officials or any of the members of the Committee who shall act a Secretary of the Committee.

Last Reviewed on 29/07/2024