

## **NOMINATION AND REMUNERATION POLICY**

| <b>Sr. No.</b> | <b>Description</b> | <b>Approval</b>   | <b>Date</b> |
|----------------|--------------------|---|-------------|
| 1              | Adoption of Policy | Recommended By<br>Nomination and<br>Remuneration Committee<br>and Approved by the Board | 14.02.2015  |

## **NOMINATION AND REMUNERATION POLICY OF SUDAL INDUSTRIES LIMITED**

## 1. Introduction

This Nomination & Remuneration Policy ("**Policy**") of SUDAL INDUSTRIES LIMITED ("**SUDAL INDUSTRIES**" or "**Company**") is formulated under the Companies Act, 2013 ("**Act**") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("**Listing Regulations**") and other applicable laws (hereinafter referred to as the "**Applicable Laws**").

## 2. Objective and Purpose

The objectives and purpose of this Policy are:

- 2.1. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a director (Whole-time/non-executive/independent) of the Company ("**Director**");
- 2.2. To recommend candidates for appointment as Directors, KMP and Senior Management;
- 2.3. To establish and review succession plans of the Board of Directors of the Company ("**Board**"), KMP and Senior Management;
- 2.4. To recommend policy relating to appointment and removal of Directors, KMP and Senior Management.
- 2.5. To recommend policy relating to the remuneration of the Directors, KMP and Senior Management/ other employees to the Board;
  - To review and approve corporate goals and objectives relevant to the compensation of the whole-time directors, evaluating their performance in light of those goals and objectives and either as a committee or together with the other independent Directors (as directed by the Board),
  - To determine and approve whole-time Directors' compensation based on this evaluation; making recommendations to the Board with respect to KMP and Senior Management compensation and recommending incentive-compensation and equity-based plans that are subject to approval of the Board.

## 3. Constitution of the Nomination and Remuneration Committee and formulation of Policy

- 3.1. The Remuneration Committee constituted under the provisions of Clause 49 of the Listing Agreement was renamed as Nomination and Remuneration Committee of Directors reconstituted in accordance with the provisions of Section 178 of the Act. The composition of the Committee is in line with the requirements under the Applicable Laws. This Policy is integral to the functioning of the Committee.
- 3.2. While formulating this Policy, the Committee has considered the factors laid down under Section 178(4) of the Act, which are as under:
  - a) 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;
  - b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - c) remuneration to Directors, KMP and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The Board has authority to reconstitute this Committee from time to time.

#### **4. Definitions**

- a. 'Board' means Board of Directors of the Company.
- b. 'Directors' means directors of the Company.
- c. 'Committee' means Nomination and Remuneration Committee of the Company as constituted or constituted by the Board, in accordance with the Act and applicable Listing Regulations.
- d. 'Company' means SUDAL INDUSTRIES LIMITED.
- e. 'Independent Director' means a director referred to in Section 149(6) of the Act and rules thereunder, and Listing Regulations.
- f. Key Managerial Personnel ('KMP') means following people, which includes people identified by the Company under provisions of the Act.
  - i) the Managing Director or Chief Executive Officer or manager
  - ii) Whole-time Director
  - iii) the Company Secretary;
  - iv) the Chief Financial Officer; and
  - v) any other person as defined under the Act from time to time
- g. Senior Management means officers/personnel of the Company and includes;
  - i) KMP
  - ii) one level below the Chief Executive Officer and Managing Director who are members of the core management and functional heads
  - iii) any other officer as determined by the Committee and the Board from time to time.

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

#### **5. General**

This Policy is divided into three parts: -

Part – A covers the matters to be dealt with and recommended by the Committee to the Board;  
Part – B covers the appointment and removal of Directors, KMP and Senior Management; and  
Part – C covers the remuneration for Directors, KMP and Senior Management

##### **Part – A**

##### **Matters to be dealt with, perused and recommended to the Board by the Committee**

The following matters shall be dealt with by the Committee:-

- (a) Identification and recommendation of candidates for appointment as Directors, KMP and Senior Management:

The Committee shall identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this Policy and recommend to the Board their appointment and removal. In this regard, the Committee may rely on the Company's management, or external search firm(s), or a mix of both, as the Committee deems fit from time to time.

(b) Size and composition of the Board:

Periodically reviewing the size and composition of the Board to (i) have an appropriate mix of executive, non-executive and independent directors to maintain its independence and separate its functions of governance and management and (ii) ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company;

The Committee shall also assist the Board in ensuring that the Board nomination process is in line with the diversity policy of the Board.

(c) Formulation of criteria and recommendation of Policy:

Formulating the criteria determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, KMP and other employees.

For every appointment of an independent director, the 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:

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

(d) Succession plans:

Establishing and reviewing succession plans of the Board, KMP and Senior Management in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management.

(e) Evaluation of performance:

- (i) make recommendations to the Board on appropriate performance criteria for the Directors.
- (ii) formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company or engage with a third-party facilitator in doing so.
- (iii) identify ongoing training and education programs for the Board to ensure that non-executive Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.

(f) Remuneration framework and policies:

The Committee is responsible for reviewing and making recommendations to the Board on:

- a. Remuneration of whole-time Directors to be presented for shareholders' approval including severance, if any.
- b. Individual and total remuneration of non-executive Directors and the chairperson (if non-executive), including any additional fees payable for membership of Board committees;
- c. the remuneration and remuneration policies for KMP and Senior Management including base

pay, incentive payments, equity awards, retirement rights, severance pay, if any, and service contracts having regard to the need to:

- (i) attract and motivate talent to pursue the Company's long term growth;
  - (ii) demonstrate a clear relationship between executive compensation and performance;
  - (iii) be reasonable and fair, having regard to best governance practices and legal requirements and
  - (iv) balance between fixed and incentive pay reflecting short and long-term performance objectives as appropriate for the Company and its goals.
- d. the Company's incentive compensation and equity-based plans including a consideration of performance thresholds and regulatory and market requirements;

## **PART – B**

### **Policy for appointment and removal of Directors, KMP and Senior Management**

#### ***(a) Appointment criteria and qualifications***

1. The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director, KMP or Senior Management and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
2. A person to be appointed as Director, KMP or Senior Management should possess adequate qualification, expertise and experience for the position he/she is considered for.
3. A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors/areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
4. For every appointment of an independent director, the 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 for such role shall meet the description.
5. The Company shall appoint or continue the employment of a person as managing director /whole-time director and non-executive Director who has not attained the maximum age of retirement as prescribed under Applicable Laws.
6. A whole-time KMP of the Company shall not hold office in more than one company except in its subsidiary company at the same time. However, a whole-time KMP can be appointed as a Director in any company, with the permission of the Board.
7. The Company shall not appoint any resigning Independent Director, as whole-time director, unless a period of one year has elapsed from the date of resignation as an Independent Director
8. The term/tenure of the Directors, KMP and Senior Management/ other employees shall be in accordance with the Applicable Laws and their respective contracts/ terms of appointment (and shareholders and/or government approvals, where relevant).

#### ***(b) Removal***

Due to reasons for any disqualification mentioned in the Applicable Laws, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the Applicable Laws.

#### ***(c) Retirement***

The Directors, KMP and Senior Management shall retire as per the applicable provisions of the Applicable Law and relevant policies of the Company. The Board will have the discretion to retain the Directors, KMP and Senior Management in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company, subject to approvals as required under the Applicable Laws.

## **PART – C**

### **Policy relating to the remuneration for Directors, KMP and Senior Management**

#### **(a) General**

1. The remuneration / compensation / commission etc. to be paid to Directors will be determined by the Committee and recommended to the Board for approval, in accordance with the requirements under the Applicable Laws.
2. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the shareholders in the case of Managing Director/ Whole-time Director.
3. Where any insurance is taken by the Company on behalf of its Directors, KMP and Senior Management 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.

#### **(b) Remuneration to KMP and Senior Management**

The pay program for KMP and Senior Management has been designed around three primary pay components: Base/Fixed Pay, Performance Bonus and Stock Incentives. These three components together constitute the “Total Rewards” of the KMP and Senior Management.

1. **Base/ Fixed pay:** It is guaranteed pay and paid periodically, usually monthly or bi-monthly or as per payroll policy by country/ region.
2. **Performance Bonus:** Cash bonus, payable on the achievement of objective and quantifiable key performance indicators (KPI) as established by the Committee.
3. **Stock Incentives:** Stock or equity based incentives can be either time based or performance-based equity grants. Time based stock incentives, in the form of Restricted Stock Units (RSUs) or/and stock options, are vested based on continuation of service. Performance based stock incentives, in the form of stock options and/or RSUs, vest upon the achievement of certain performance parameters.

The Total Rewards for KMP and Senior Management is designed to ensure their continued alignment with organizational goals. The Committee aims to ensure that KMP and Senior Management pay is reflective of market pay, consisting of a mix of base/ fixed pay, performance bonus and stock incentives. The emphasis on stock incentives ensures alignment with shareholders’ interests, through a continued focus on the Company’s sustainable, long-term performance.

**(c) Remuneration to other employees**

The compensation for other employees would be as per the compensation policy of the Company, as revised through the annual compensation review process from time to time and approved by the Managing Director, in consultation with the Head- HR.

**(d) Minimum remuneration to Directors in the event of inadequate / no profits**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Directors including any managing or whole-time director or manager, or any other non-executive director, including an independent director in accordance with the provisions of Schedule V of the Act.

**(e) Remuneration to the Directors**

The remuneration payable to each Director is based on the remuneration structure as determined by the Board, and is revised from time to time, depending on individual contribution, the Company's performance, and the provisions of Applicable Laws.

- i. Stock incentive: The Independent Directors shall not be entitled to any stock incentive of the Company.
- ii. The remuneration to the non-executive Directors (including Independent Directors) 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.

The payment is subject to deduction of tax at source (TDS) as required by applicable tax laws. In case if any tax is deducted at source as per applicable tax laws, a certificate as prescribed by law will be issued for the amount of tax with held. The company shall seek necessary and relevant tax documents as per applicable law in seeking waiver or reducing any applicable withholding taxes.

**6. Policy review**

- (a) This Policy is framed based on the provisions of the Applicable Laws.
- (b) In case of any subsequent changes in the provisions of the Applicable Laws which makes any of the provisions in the Policy inconsistent with such provision of the Applicable Laws, then such provisions of the Applicable Laws would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with Applicable Laws.
- (c) This Policy shall be reviewed by the Committee, as required from time to time. Any changes or modification to the Policy as recommended by the Committee would be placed before the Board for their approval.

\*\*\*\*\*