



**Kalpataru Limited**

**Nomination and Remuneration Policy**

*(Framework for nomination of Directors, KMPs and Senior Management and their remuneration)*

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## **I. LEGAL FRAMEWORK**

The Nomination and Remuneration Policy (“**the Policy**” or “**this Policy**”) provides framework for nomination and appointment of Directors, KMPs and Senior Management and their remuneration. The Policy has been formulated by the Nomination and Remuneration Committee (“**the Committee**”) and approved by the Board of Directors in accordance with the provisions of Section 178(3) of the Companies Act, 2013 (“**the Act**”) and Regulations 17 and 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**the Listing Regulations**”).

Appointment, re-appointment and criteria for remuneration of directors, key managerial personnel (KMP), senior management and other employees shall be in compliance with the provisions and procedure(s) laid down under the Act and the Listing Regulations.

## **II. INTERPRETATION**

All words and expressions used in this Policy, unless otherwise defined hereinafter, shall have meaning respectively assigned to them under the Act, the Listing Regulations, Securities and Exchange Board of India Act, 1992 and any other law applicable to the Company for time being in force and/or as may be restated and/or modified from time to time. Where any term used in this Policy differs from any existing or enacted law, rule, regulation governing the Company, the law, rule or regulation will take precedence over the provision of this Policy.

## **III. OBJECTIVES OF THE POLICY**

The objective of this Policy is to provide criteria for:

- a. Appointment, re-appointment, removal of directors, KMP and member of senior management
- b. Identifying, determining qualifications, positive attributes and independence of a Director
- c. Determining the right composition of Board to ensure diversity
- d. Succession planning for directors, KMPs and member of senior management
- e. Effective evaluation of performance of Board, committees and individual directors
- f. Recommend to the Board, all remuneration, in whatever form, payable to directors and members of senior management
- g. Compensation that is performance driven, structured to retain, motivate, recognise merits, and promote excellence that creates competitive edge for the Company

#### **IV. CRITERIA FOR NOMINATION**

A formal and transparent selection process is critical to gain confidence and trust of all stakeholders, improve understanding and efficiency of processes in practice. Keeping the said guiding principle in sight, the Committee has formulated a suggestive list of criteria for appointment of a person as a director, KMP or a member of senior management of the Company, as follows:

- Incumbent should meet ethical standards of integrity, probity and Kalpataru values and culture of good governance
- Exercising responsibilities in a *bona fide* manner in the best interest of the Company

##### **In case of directors:**

- Suitability for role, board balance and composition, right mix of skills background and experience, experience of dealing with strategic issues, sound understanding of business, have long term perspectives, capacity for independent thought and ability to fulfil required time commitments.
- Nature of existing positions held by the appointee including other directorships or relationships and the impact they may have on appointee's ability to exercise independent judgment.
- Independent director are required to comply with prescribed criteria of 'independence'.

##### **In case of KMPs and member of senior management:**

- Age, qualifications, skills, industry experience, background, special achievements, contribution towards effectiveness of the organization as a whole and operational efficiency in the relevant functional area.
- Demonstrable leadership qualities, strategic thinking and facilitation skills, commitment to role, no conflict of interest, transparent, unbiased and other qualities required to operate successfully in the position.

For identification of suitable candidature, amongst other sources, the Company may also use services of external agencies, if required.

#### **V. PERFORMANCE EVALUATION**

The Company has devised a two-tier framework for performance evaluation of Board, its Committees and individual directors.

As part of the aforesaid evaluation process, the Independent Directors collectively review performance of non-independent directors and the Board and Board committees as whole basis evaluation of various aspects of Board's functioning such as adequacy of composition of Board and its Committees, Board culture, execution and performance of specific duties, obligations, attendance and level of participation, interpersonal relationship and governance aspects including assessing the quality and timeliness of flow of information between the Company

management and the Board. The Independent Directors also review performance of Chairperson of the Company, taking into consideration views other directors.

The Board collectively evaluates performance of Independent Directors and the Non-executive Chairman, on behalf of the Board, gives feedback to the Independent Directors.

#### **VI. BOARD DIVERSITY**

The Committee has laid down criteria for identifying, determining qualifications, positive attributes and recommending the right candidate to the Board for appointment. The Board evaluates its composition to ensure that it has the right mix of skills, experience, knowledge and independence.

The appointments on the Board are made taking into account suitability for the role based on meritocracy in context of skills, diverse experience, knowledge, board balance and composition.

We believe that the Board, as a minimum, should be a combined portfolio of experience and knowledge that serves the governance and strategic needs of the Company.

#### **VII. SUCCESSION PLANNING**

In terms of Regulation 17(4) of the Listing Regulations, Board of every listed Company is required to ensure that Succession Plan is in place for orderly succession of directors, KMPs and members of senior management, so as to ensure that interests of stakeholders of Company do not suffer due to sudden or unplanned gaps in management of the Company.

There are certain positions in the Company that are key to its current and future growth. It is critical to fill up such positions well in time to avoid any leadership gap. The Company has developed action plan to ensure orderly succession of directors and key executives of the Company.

As part of Succession Planning, the Committee reviews leadership and management needs of the Company, keeps track of Company's readiness to mitigate risks on account of attrition, new vacancies due to growth plans, or in the unfortunate events like death or disability.

To ensure systematic and long-term development of high growth individuals, train them for shouldering responsibilities in senior management and step-up when the need arises due to deaths, disabilities, retirements, and other unexpected occurrence

The Committee shall review, approve and aid the Board in succession and emergency preparedness plan for directors and key executives as may be identified, from time to time. The abovementioned criteria may be applied for such identification, evaluation and appointment.

#### **VIII. REMUNERATION TO DIRECTORS, KMP AND MEMBER OF SENIOR MANAGEMENT**

The Remuneration framework of the Company enshrines guiding principles such as, alignment of remuneration with long term interests of the Company and its shareholders, create a linkage to corporate and individual performance, compensation is structured to promote culture of meritocracy and provide an effective and market competitive compensation structure that attracts, retains and motivates best talent.

The remuneration is guided by external competitiveness and internal parity through benchmarking surveys.

#### **A. Remuneration of executive director, KMP and member of senior management**

The Board, on the recommendation of the Committee, shall review and approve remuneration payable to Executive Directors of the Company within the overall limits approved by the shareholders.

The remuneration is broadly divided into fixed and variable components. The remuneration structure includes but may not be limited to salary, allowances, perquisites, amenities and retiral benefits as per law/ rules of the Company, performance Incentive, Profit related Commission (applicable in case of Executive Directors) and share based employee benefit schemes.

At the time of appointment or re-appointment, the remuneration is mutually agreed between the Executive Director and the Company (which includes the NRC and the Board), within the overall limits prescribed under the Companies Act, 2013, and as approved by the Members of the Company.

The Board, on the recommendation of the Committee, shall review and approve remuneration payable to KMPs of the Company.

Internally, performance of members of senior management will be assessed based on their KRAs achieved. Variable Pay increase will be calculated using a combination of individual performance and business performance. As per prevailing process and practice of the Company, the Committee may recommend about increase, restructure and/or other suggestion in respect to remuneration of senior management as it thinks appropriate considering the overall performance of senior management.

#### **B. Remuneration of non-executive directors**

The Board approves the quantum of sitting fee to be paid for attending each meeting of the Board and Committees thereof. In addition to sitting fees directors will be entitled to reimbursement of expenses in connection with attending Board meeting, Committee meeting and general meetings of the Company and expenses in relation to attending matters or businesses of the Company. Directors may also be paid Profit related commission, as may be recommended by the Board, from time to time. The remuneration of the non-executive directors is based on current trends, their contributions and subject to regulatory limits.

The Committee may evaluate remuneration payable to Non-executive Directors at such intervals as it thinks appropriate or as may be requested by the Board, from time to time.

The Company may pay remuneration to Independent Directors in case of no profits or inadequacy of profits in compliance with the provision of the Act and rules related thereto.

#### **C. Remuneration of Other Employees**

Employees are assigned grades according to their qualifications, work experience, competencies as well as their roles and responsibilities in the Company. Individual remuneration is determined within the appropriate grade and is based on various factors

such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

The remuneration is broadly divided into fixed and variable components. The remuneration structure includes but may not be limited to salary, allowances, perquisites, amenities and retiral benefits as per law/ rules of the Company, performance Incentive and share based employee benefit scheme.

The Talent Council of the Company, on an annual basis, reviews and approves overall remuneration payable to employees.

#### **D. Stock Options to Employees / Directors**

At the discretion of the Board, the Committee will devise, monitor the Employees Stock Schemes and give its recommendation about allotment of options, grant, vest and exercise of stock options and/or similar rewards to the eligible directors and employees, as may be permitted under the applicable Law and approved share based employee benefit schemes.