
NOMINATION AND REMUNERATION POLICY

DEREWALA INDUSTRIES LIMITED

REGISTERED OFFICE

PLOT NO. C-69, FLAT NO. 304, PARADISE
REGENCY, SAROJINI MARG, C-SCHEME,
JAIPUR-302001 (RAJASTHAN)

WORKS

E-72/73, EPIP, SITAPURA INDUSTRIAL
AREA, TONK ROAD, JAIPUR-302001
(RAJASTHAN)

CIN: U36911RJ2007PLC024129

1. INTRODUCTION

Pursuant to section 178 of the Companies Act, 2013, every listed company and all other public limited companies having (i) a paid up capital of Rs. 10 Cr. or more; OR (ii) turnover of Rs. 100 Cr. or more; OR (iii) in aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs. 50 Cr. or more., shall require to constitute Nomination and Remuneration Committee and this Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

In terms of Section 178 of the Companies Act, 2013 this policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management and other employees of the Company has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors at its meeting held on 30th March, 2015. This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the appointment, remuneration, removal and evaluation of performance of the Directors, Key Managerial Personnel & Senior Management.

2. OBJECTIVE

The primary objective of the Policy is to provide a framework and set standards for the nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and officials comprising the senior management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

The objective of the policy is to ensure that

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- To give recommendation to the Board on remuneration payable to the Directors, Key Managerial Personnel and Senior Management;
- 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;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- Remuneration to directors, key managerial personnel 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 and
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation.

3. DEFINITIONS

'Act' means Companies Act, 2013 and rules framed thereunder including any modification and reenactment.

“Board” means Board of Directors of the Company.

‘Committee’ means Nomination and Remuneration Committee of the Company as constituted or reconstituted or renamed by the Board.

“Company” means Derewala Industries Limited (DIL).

“Independent Director” means a Director of the Company, not being in whole time employment and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies the criteria for independence as prescribed under Section 149 of the Companies Act, 2013 and rules framed thereunder.

“Key Managerial Personnel or KMP” means Key managerial personnel as defined under the Companies Act, 2013 and includes:

- i. Managing Director or Executive Director or Chief Executive Officer or Manager
- ii. Whole-time Director;
- iii. Company Secretary;
- iv. Chief Financial Officer and
- v. such other officer as may be prescribed.

“Policy” means Nomination and Remuneration Policy.

“Senior Management” means personnel of the Company who are members of its core management team excluding the Board of Directors.

4. ROLE/FUNCTIONS OF COMMITTEE:

The Nomination and Remuneration Committee shall, inter-alia, perform the following functions:

- i. Identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board, their appointment and removal.
- ii. To recommend to the Board a policy including following:
 - a) Determining qualifications, positive attributes and independence of a director;
 - b) Remuneration for the Directors, Key Managerial Personnel and Senior Management;
 - c) The level & composition of Remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - d) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

- e) Remuneration to directors, key managerial personnel 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;
- f) Performance evaluation of Independent Directors and the Board;
- g) Board diversity;
- h) Succession planning for replacing Key Executives and overseeing;
- i) To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable;
- j) To perform such other functions as may be necessary or appropriate for the performance of its duties.

The Chairperson of the Nomination and Remuneration Committee or, in his absence, any other member of the committee authorized by the Chairperson in this behalf shall attend the general meetings of the company.

Provided that Nomination and Remuneration Committee may set up mechanism to carry out its functions and is further authorized to delegate any / all of its powers to any of the Directors and / or officers of the Company, as deemed necessary for proper and expeditious execution.

5. MEMBERSHIP

- i. The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.
- ii. The quorum shall be either two members or one third of the members of the Committee, whichever is higher.
- iii. Membership of the Committee shall be disclosed in the Annual Report.
- iv. Term of the Committee shall be continued unless terminated by the Board of Directors.

6. CHAIRPERSON

- i. The Chairperson of the Committee shall be an Independent Director.
- ii. The Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairperson of the Committee.
- iii. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

7. FREQUENCY OF MEETING

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

8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

9. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings shall be recorded as minutes and signed by the Chairperson of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meetings.

10. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

(i) Appointment criteria and qualifications

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

b) A person should 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 are sufficient / satisfactory for the concerned position.

c) The Committee may devise a policy on Board diversity after reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board which will facilitate the Committee to recommend on any proposed changes to the Board to complement the Company's corporate strategy.

(ii) Removal

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

(iii) 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.

(iv) Letter of appointment

Each Director/KMP/Senior Management Personnel is required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned in the Company.

11. POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, Key Management Personnel and other senior officials.

The Directors, Key Management Personnel and other senior official's salary shall be based & determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed statutorily, if any.

The Nominations and Remuneration Committee determines individual remuneration packages for Directors, KMPs and Senior Officials of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines. The Committee consults with the Chairman of the Board as it deems appropriate. Remuneration of the Chairman is recommended by the Committee to the Board of the Company

(i) General:

a) The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

b) The remuneration and commission to be paid to the Managing Director/Whole-time Director/Manager shall be in accordance with the percentage / slabs / conditions laid down in the provisions of the Act.

c) Term / Tenure of the Directors shall be as per company's policy and subject to the provisions of the Act.

(ii) Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

a) Fixed pay:

The Managing Director/Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board and approved by the shareholders and Central Government, wherever required.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director, Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

c) Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company.

(iii) Remuneration to Non- Executive / Independent Director:

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Act.

b) Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof.

Provided that the amount of such fees shall be decided by the Board and subject to the limit as provided in the Act.

c) Commission:

Commission 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.

12. EVALUATION/ ASSESSMENT OF DIRECTORS/ KMPs/ SENIOR MANAGEMENT PERSONNEL OF THE COMPANY

The evaluation/assessment of the Directors, KMPs and the Senior Management Personnel of the Company is to be conducted on an annual basis, as required, if any.

The following criteria may assist in determining how effective the performances of the Directors/KMPs/Senior officials have been:

- Leadership & stewardship abilities
- Contributing to clearly define corporate objectives & plans
- Communication of expectations & concerns clearly with subordinates
- Obtain adequate, relevant & timely information from external sources
- Review & approval achievement of strategic and operational plans, objectives, budgets
- Regular monitoring of corporate results against projections
- Identify, monitor & mitigate significant corporate risks
- Assess policies, structures & procedures
- Direct, monitor & evaluate KMPs, Senior Management Personnel
- Review management's succession plan
- Effective meetings
- Assuring appropriate board size, composition, independence, structure
- Clearly defining roles & monitoring activities of committees
- Review of corporation's ethical conduct

Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Non-Independent Directors in a separate meeting of the Independent Directors.

The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

13. AMENDMENTS

This Policy may be amended by the Board at any time and is subject to amendments to the Companies Act, 2013 (the Act 2013) and rules framed thereunder.