

NOMINATION AND REMUNERATION POLICY



SUMEDHA
adding values to value

**NOMINATION AND REMUNERATION POLICY
OF
SUMEDHA FISCAL SERVICES LTD.**

Preamble

Pursuant to Section 178 of the Companies Act, 2013 and the Rules framed thereunder (as amended from time to time) (the “**Act**”) and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) (the “**SEBI Listing Regulations**”), the Board of Directors of every listed company is required to constitute the Nomination and Remuneration Committee.

I. Objective

In order to comply with the requirements of Section 178 of the Act and Regulation 19 of the SEBI Listing Regulations and any other applicable provisions, the Nomination and Remuneration Committee of the Board of Directors of the Company (the “**Committee**”) had formulated this policy (the “**Policy**”).

The key objectives of the Policy are as follows:

- a.** To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive / Non-Executive) and recommend to the Board of Directors of the Company (the “**Board**”), policies relating to the remuneration (payable in whatever form) of the Directors, Key Managerial Personnel and other employees.
- b.** To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal.
- c.** To formulate criteria for evaluation of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- d.** To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- e.** To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- f.** To devise a Policy on Board Diversity.
- g.** To develop a succession plan for the Board and to regularly review the plan.

- h.** To determine whether to extend or continue the term of appointment of the Independent Director(s), on the basis of the report of performance evaluation of Independent Directors.

II. Definitions

- a.** “**Act**” means the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.
- b.** “**Board**” means the Board of Directors of the Company.
- c.** “**The Company**” means Sumedha Fiscal Services Ltd.
- d.** “**Committee**” means Nomination and Remuneration Committee.
- e.** “**Directors**” shall mean Directors of the Company.
- f.** “**Independent Director**” means a director referred to in-
- Section 149(6) of the Companies Act, 2013 and rules made thereunder and
 - Regulation 16(1)(b) of the Listing Regulations.
- g.** “**Key Managerial Personnel**” or “**KMP**” means:
In relation to a Company as defined sub-section 51 of Section 2 of the Companies Act, 2013, means and includes:
- (i) the Chief Executive Officer or the Managing Director or the manager;
 - (ii) the Company Secretary;
 - (iii) the Whole-Time Director;
 - (iv) the Chief Financial Officer;
 - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - (vi) such other officer as may be prescribed
- h.** “**Listing Regulations**” mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- i.** “**Senior Management**” shall mean officers and personnel of the Company who are members of core management team excluding the Board of Directors, and shall also comprise all members of the management one level below the Chief Executive Officer or Managing Director or Whole time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as

key managerial personnel, other than the board of directors, by the listed entity”

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 or Listing Regulations as may be amended from time to time shall have the meaning respectively assigned to them therein.

III. Appointment and removal of Directors, KMPs and Senior Management

a. Appointment criteria and qualifications:

- i. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management and recommend to the Board his / her appointment.
- ii. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has the discretion to decide whether qualifications, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- iii. The Company shall not recommend or appoint or continue the employment of any person as the Managing Director, Whole-time director or Manager within the meaning of the Act, who has attained the age of 70 (seventy) years. Provided that the appointment of such a person who has attained the age of 70 (seventy) years shall be made with the approval of the Shareholders by passing a special resolution, based on the explanatory statement annexed to the notice for the Meeting of the Shareholders for such motion indicating the justification for appointment or extension of appointment beyond the age of 70 (seventy) years.
- iv. The Company shall take a prior approval of the Members by way of a Special Resolution for appointment / continuation of appointment of any Non-Executive Director who has attained the age of 75 (Seventy Five) years.

b. Term / Tenure:

i. Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding 5 (five) years at a time. No re-appointment shall be made earlier than 1 (one) year before the expiry of term.

ii. Independent Director:

- An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board and will be eligible for re-appointment on

passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.

- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of 3 (three) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. However professional services [as referred to in the Proviso to Section 197(4) of the Companies Act, 2013] are excluded from the aforesaid restriction.
- At the time of appointment of Independent Director(s) it should be ensured that number of Boards on which such Independent Director serves is restricted to 7 (seven) listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act or the SEBI Listing Regulations.
- For every appointment of an independent director, the Nomination and Remuneration 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:
 - a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidates.

iii. **Senior Management**

Senior Management will be appointed in terms of the service rules of the Company and his/her tenure will be determined accordingly, unless decided otherwise by the Board of Directors/Management of the Company.

c. **Evaluation:**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management at regular intervals.

The evaluation of performance of the Board, its Committees and Individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

The evaluation of independent directors shall be done by the entire board of directors which shall include –

- a. performance of the directors; and
- b. fulfilment of the independence criteria as specified in these regulations and their Independence from the management:

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

d. Removal:

Due to reasons for any disqualification mentioned in the Act or under any other applicable law, rules and regulations, thereunder, the Committee may recommend, to the Board with reasons to be recorded in writing, removal of a Director, KMP or Senior Management, subject to the provisions and compliance of the said Act, such other applicable law, rules and regulations.

e. Retirement:

The Directors, KMP and Senior Management 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 in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

f. Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management:

- i. The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the Shareholders of the Company as per the applicable provisions of the Act, Listing Regulations and any other laws, as may be applicable, for the time being in force.
- ii. The remuneration and commission to be paid to the Managing Director and / or Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down as per the provisions of the Act, Listing Regulations and any other laws, as may be applicable, for the time being in force.
- iii. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director or as laid down as per the provisions of the Act and the Listing Regulations.

g. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management:

i. The Whole-time / Executive / Managing Director / KMP and Senior Management shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including but not limited to, employer's contribution to Provident Fund (P.F.), Superannuation Fund, Pension Scheme, medical expenses, club fees, leave travel allowance, etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the Shareholders and Central Government, wherever required.

ii. *Minimum Remuneration:*

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time / Executive / Managing Director in accordance with the provisions of Section 197 of the Act and Schedule V to the Act.

iii. Provisions for excess remuneration:

If any Whole-time / Executive / Managing Director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limits prescribed under the Act, he / she shall refund such sums to the Company within two years or such lesser period as may be allowed by the company, and until such sum is refunded, hold it in trust for the company..

The company shall not waive the recovery of any sum refundable to it under the aforementioned para unless it is approved by the shareholders by special resolution within two years from the date the sum becomes refundable.

Where the company has defaulted in payment of dues to any bank or public financial institution or non-convertible debenture holders or any other secured creditor, the prior approval of the bank or public financial institution concerned or the non-convertible debenture holders or other secured creditor, as the case may be, shall be obtained by the company before obtaining approval of such waiver.

h. Remuneration to Non- Executive / Independent Director:

1) Remuneration / Commission:

The remuneration / commission shall be in accordance with the statutory provisions of the Act and the Rules made thereunder for the time being in force.

2) Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of the Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Act, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

3) Limit of Remuneration/Commission:

Remuneration/ 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.

4) Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

IV. Membership:

- a) The Committee shall comprise of at least (3) Directors, all of whom shall be non-executive Directors and two third shall be Independent Directors.
- b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act and the SEBI Listing Regulations.
- c) The quorum for the Meeting of the Nomination and Remuneration Committee shall either be two members or one third of the total strength of the Committee, whichever is higher (including at least one independent director in attendance).
- d) Membership of the Committee shall be disclosed in the Annual Report.
- e) Term of the Committee shall be continued unless terminated by the Board of Directors.

V. Chairperson

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

- d) Chairman of the Nomination and Remuneration Committee meeting could be present at the annual general meeting or may nominate some other member to answer the shareholders' queries.

VI. Frequency of Meetings:

The Nomination and Remuneration Committee shall meet **at least once a year.**

VII. Committee members' interests:

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

VIII. Secretary:

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

IX. Role of the Nomination & Remuneration Committee

The role of the nomination and remuneration committee shall be as specified in Part D of the Schedule II of Listing Regulations.

X. Duties of the Nomination & Remuneration Committee

Duties with respect to Nomination:

The duties of the Committee in relation to nomination matters include:

- a.** Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- b.** Ensuring that on appointment to the Board, Independent Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- c.** Identifying and recommending Directors who are to be put forward for retirement by rotation.
- d.** Determining the appropriate size, diversity and composition of the Board;
- e.** Assist the Board in ensuring the Board nomination process is in line with the diversity policy of the Board'
- f.** Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;

- g.** Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- h.** Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- i.** Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- j.** Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- k.** Recommend any necessary changes to the Board; and
- l.** Considering any other matters, as may be requested by the Board.

Duties with respect to Remuneration:

The duties of the Committee in relation to remuneration matters include:

- to consider and determine the remuneration policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- to recommend and approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company.
- to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- to consider any other matters as may be requested by the Board.

XI. Minutes of Committee Meeting

Proceedings of all Meetings must be minuted 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 Meeting.

XII. Deviations from this Policy

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

XIII. Amendment:

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

**POLICY FOR EVALUATION OF THE PERFORMANCE
OF THE BOARD OF DIRECTORS OF SUMEDHA FISCAL SERVICES LIMITED**

1) INTRODUCTION

Sumedha Fiscal Services Limited (hereinafter referred to as the “**Company**”) believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior/manner, in consonance with the Company’s Code of Conduct for its employees and also for the Board of Directors (the “**Board**”). The honesty, integrity and sound judgement and performance of the Directors and the Senior Management are key criteria for the success and for building a good reputation of the Company. Each Director and executive in the Senior Management is expected to comply in the letter and spirit of this Policy. Apart from this Code, the Code of Conduct for Directors/Employees shall also be applicable, additionally and specifically to the Senior Management of the Company *mutatis mutandis*.

Therefore, the Company has formulated this Policy to comply with various provisions under the Act and the Listing Regulations and also the formal annual evaluation made by the Board of its own performance (self-appraisals) and that of its Committees and individual Directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Act. The Committee shall specify the manner for evaluation of the performance of the each Director as per sub-section (2) of Section 178 and based on the functions of the Independent Directors as indicated under Schedule IV (as per Section 149) to the Act and the Rules made thereunder.

2) DEFINITIONS

- a) “the Act”: means The Companies Act, 2013 and the rules made thereunder;
- b) “the Company”: The Company means Sumedha Fiscal Services Limited.
- c) “the Director” or “the Board”: The Director or the Board, in relation to the Company, shall mean and deemed to include the collective body of the Board of Directors of the Company including the Chairman of the Company.
- d) “the Independent Director”: The Independent Director shall mean an Independent Director as defined under Section 2 (47) to be read with Section 149 (6) of the Act.
- e) “the Policy” or “this Policy”: The policy or This Policy shall mean the Policy for Evaluation of performance of Board of Directors of the Company.
- f) “the Committee” or “this Committee”: The Committee or this Committee shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of Act.

3) OBJECTIVE

The Object of this policy is to formulate the procedures and also to prescribe and lay down the criteria to evaluate the performance of the entire Board of the Company.

4) VARIOUS KINDS OF PERFORMANCE EVALUATION

A. APPRAISAL SYSTEM:

Appraisal of each Director of the Company shall be based on the criteria as mentioned herein below. This appraisal is mandatory and will be done under the provision of the clause (p) of sub-section (3) of Section 134 of the Act.

The Committee has laid down the criteria for evaluation of performance of executive Directors, Independent Directors, Chairman and the Board:-

- a.** Attendance and contribution at Board and Committee meetings
- b.** His/her stature, appropriate mix of expertise, skills, behavior, experience, leadership qualities, sense of sobriety and understanding of business, strategic direction to align company's value and standards.
- c.** His/her knowledge of finance, accounts, legal, investment, marketing, foreign exchange/hedging, internal controls, risk management, assessment and mitigation, business operations, processes and Corporate Governance.
- d.** His/her ability to create a performance culture that drives value creation and a high quality of debate with robust and probing discussions.
- e.** Effective decisions making ability to respond positively and constructively to implement the same to encourage more transparency.
- f.** Open channels of communication with executive management and other colleague on Board to maintain high standards of integrity and probity.
- g.** Recognize the role which he/she is expected to play, internal Board Relationships to make decisions objectively and collectively in the best interest of the Company to achieve organizational successes and harmonizing the Board.
- h.** Quality of decision making on source of raw material/procurement of roughs, export marketing, understanding financial statements and business performance, raising of finance, best source of finance, working capital requirement, forex dealings, geopolitics, human resources etc.
- i.** His/her ability to monitor the performance of management and integrity of the financial controls and systems in place.
- j.** His/her contribution to enhance overall brand image of the Company.

CRITERIA FOR EVALUATION

BOARD EVALUATION

Structure

- The board has the right composition which brings in diversity, experience, specialized skills and expertise for effective functioning of the board.
- The board has the right composition which brings in diversity, experience, specialized skills and expertise for its effective functioning.

Strategic Orientation

- a. The board has a good understanding of the key performance drivers of the business.
- b. The financial and non-financial goals are in place to focus on the enhancement of stakeholder value.
- c. The board has visibility on key talent and succession plans in the business.
- d. The board is satisfied with the effectiveness of the risk management system to anticipate measure and mitigate them.
- e. The board focuses on the right issues and priorities.
- f. The board meetings conducted in a manner which facilitates open discussions.
- g. The board members trust and value each others' knowledge, experience and expertise to enable healthy discussion.
- h. The board has the right composition which brings in diversity, experience, specialized skills and expertise for effective functioning of the board.
- i. The board members have a clear and shared understanding of their roles and responsibilities.
- j. The board has a good understanding of the key performance drivers of the business.
- k. The financial and non-financial value drivers in place to focus on the enhancement of stakeholder value.
- l. The board has visibility on key talent and succession plans in the business.
- m. The board is satisfied with the effectiveness of the risk management architecture to anticipate, measure and mitigate them.
- n. The board focuses on the right issues and priorities.
- o. The board meetings conducted in a manner which facilitates open discussions and robust debate.

- p.** The board members trust and value each other's' experience and expertise to enable healthy discussion in sufficient depth.
- q.** The board receives adequate information to enable discussions/decision making during board meetings.
- r.** The board is independent in its functioning.

COMMITTEE EVALUATION

For Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders' Relationship Committee, and Management Committee

- The objectives of the committee well defined and understood
- The committee is delivering on the defined objectives
- The committee has the right composition to deliver its objectives
- Any other comments

INDIVIDUAL EVALUATION

Particulars

Leading Self

- Understands the organization and the sector(s) in which the business operates.
- Understands key performance drivers of the business.
- Provides value added perspectives to the board
- Attends and actively contributes to all board debates and discussions.

Leading Others

- Collaborates and encourages healthy discussion among board members.
- Gives authentic and clear feedback in board discussions.

Leading Business

- Leverages expertise and networks to meaningfully contribute to board discussions.
- Ability to protect and leverage the interest of the Sumedha group across all decisions and recommendations

- Possess sufficient skills, expertise and level of preparedness which allows the person to clearly add value to discussions and decisions
- Is able to change views of others in a constructive manner.

Evaluation of Independent Directors

- Is able to discharge his/her duties with an objective independent judgement and without an external influence (only for Independent Directors).
- Overall effectiveness as a board member.

EVALUATION OF CHAIRPERSON

Particulars

- The Chairperson's leadership style is appropriate.
(e.g.: decisive, open minded, facilitates deliberation, deals effectively with dissent and works constructively towards consensus)
- While setting the agenda for the board meetings, the Chairperson encourages and seeks the views and suggestions of the independent directors.
- The Chairperson reaches out to all members to seek their contribution on substantive issues.
- The Chairperson allocates a fair amount of time to all board members to express their points of view.
- Any additional comments.

EVALUATION OF THE PERFORMANCE

The Committee shall specify the manner of effective evaluation of the performance of each Director of the Company under the Nomination and Remuneration Policy of the Company framed in accordance with–

- Section 178 of the Companies Act, 2013;
- SEBI Guidance Note on Board Evaluation as issued from time to time.;
- Once a Financial Year [Section 134(3)(p) of the Companies Act, 2013; and
- Based on their functions prescribed in the Code of Conduct for the Directors and the criteria for the evaluation of the performance as prescribed in the this Policy;
- The process of evaluation shall be followed by prescribed procedural requirements associated therewith (e.g. intimation to Stock Exchanges, uploading to Company Website, inclusion to Annual Report)

Evaluation shall be done by the Board of Directors except the Director getting evaluated.

Evaluation of Independent Director shall be carried on by the entire Board in the same way as it is done for the executive directors of the Company except the Independent Director getting evaluated.

EFFECTIVENESS OF THE BOARD

Based on the above performance evaluation of every Director of the Company the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or Retirement of the member based on his/her performance rating as to create and maintain the most effective and powerful top level management of the Company for its future growth, expansion, diversification and also to maximize the returns on investments to the stakeholders of the company.
