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**STOVEC**

**STOVEC INDUSTRIES LIMITED**

**NOMINATION AND REMUNERATION POLICY**

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## **NOMINATION AND REMUNERATION POLICY**

### **INTRODUCTION:**

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and employees of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 and the listing agreement as amended from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee and approved by the Board of Directors.

### **OBJECTIVE AND PURPOSE OF THE POLICY:**

The objective and purpose of this policy are:

- To lay down criteria with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
- To ensure that :
  - 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; and
  - 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:
- To carry out evaluation of the performance of every Directors performance.

In the context of the aforesaid criteria the following policy has been formulated by the Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on 12<sup>th</sup> August, 2014.

#### **EFFECTIVE DATE:**

This policy shall be effective from 1<sup>st</sup> April, 2014.

#### **CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE:**

The Board has changed the nomenclature of Remuneration Committee by renaming it as Nomination and Remuneration Committee in its meeting held on 13<sup>th</sup> May, 2014. The Nomination and Remuneration Committee comprises of following Directors:

| <b>Sr. No.</b> | <b>Name</b>                  | <b>Position in Committee</b>         | <b>Independent/Executive/Non-Executive Director</b> |
|----------------|------------------------------|--------------------------------------|---|
| 1              | CA Girish Sharedalal         | Chairman<br>(upto August 13, 2014)   | Independent Non - Executive Director                |
| 2              | Mr. Aschwin N.R.M. Hollander | Member                               | Non - Executive Director                            |
| 3              | Mr. K.M. Thanawalla          | Member                               | Independent Non - Executive Director                |
| 4              | Mr. Marco Wadia              | Chairman<br>(w.e.f. August 13, 2014) | Independent Non - Executive Director                |

The Board has the power to reconstitute the Committee consistent with the Company's policy and applicable statutory requirement.

#### **DEFINITIONS:**

- **Board** means Board of Directors of the Company.
- **Directors** means Directors of the Company.
- **Committee** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- **Company** means Stovec Industries Limited.
- **Independent Director** means a director referred to in Section 149 (6) of the Companies Act, 2013.

**Key Managerial Personnel (KMP) means-**

- (i) the Managing Director or the Chief Executive Officer or the Manager
- (ii) the Whole-time Director;
- (ii) the Chief Financial Officer;
- (iv) the Company Secretary; and
- (v) Such other officer as may be prescribed under the applicable statutory provisions/ regulations.

- **Senior Management** means personnel of the Company who are members of its core management team excluding Board of Directors (Currently all Vice presidents and 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 as may be amended from time to time shall have the meaning respectively assigned to them therein.

**APPLICABILITY:**

The Policy is applicable to:

- Directors (Executive and Non-Executive)
- Key Managerial Personnel
- Senior Management Personnel

**GENERAL**

This Policy is divided in three parts:

**Part - A** covers the matters to be dealt with and recommended by the Committee to the Board;

**Part - B** covers the appointment, nomination and removal and;

**Part - C** covers remuneration and perquisites etc.

- The key features of this Company's policy shall be included in the Board's Report.

**PART - A**

**MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE**

The Committee shall:

- Review and formulate the criteria for determining qualifications, positive attributes and independence of a director.

- Recommend to the Board a policy, relating to the remuneration for the directors
- Recommend to the Board, this policy, relating to the remuneration for key managerial personnel and other employees.
- Identify persons who are qualified to become Director
- Identify persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy
- Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel and carry out evaluation of every director's performance.

## **PART - B**

### **POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

#### **• Appointment criteria and qualifications:**

1. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment as per the Job Description and should qualify through Interview and other parameters as per Corporate HR policy. The Committee may review whether qualification, expertise, attributes and experience possessed by a person is sufficient / satisfactory for the concerned position.
2. The Committee shall based, on the criteria laid down in Corporate HR Policy, identify person for appointment or removal as KMP or at Senior Management level and recommend to the Board his / her appointment or Removal.
3. An Independent Director shall fulfill the criteria of independence as provided in Section 149 (6) of the Companies Act, 2013, as amended from time to time. (Appendix 1)
4. At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and in case such person is serving as a Whole-time Director of a listed company then not exceeding three listed companies as an Independent Director.

#### **• Term / Tenure:**

##### **1. Managing Director/Whole-time Director and Senior Management:**

The Company shall appoint or re-appoint any person as its Managing Director or Whole-time Director or Executive Director for a term not exceeding five years at a time.

The Company shall not appoint or continue Employment of Executive Director and Senior Employee beyond what was agreed at the time of their appointment as per Corporate HR

Policy. The KMP and Senior Management Personnel shall retire as per the prevailing policy of the Company, as may be applicable.

Provided that the term of the person holding this position may be extended beyond such age :

- In case of Executive Director with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment.
- In case of KMP/ Senior Management with the Approval of Executive Directors and Committee.

## **2. Independent Director:**

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

However, if a person who has already served as an Independent Director for 5 years or more in the Company as on 1<sup>st</sup> April, 2014, then he/she shall be eligible for appointment for only one more term up to 5 years subject to maximum age limit of Eighty Years.

### **• Evaluation:**

The Committee shall carry out evaluation of performance of every Director at regular interval (yearly). The Performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated. The performance of non-independent director and the Board shall be done by the Independent Directors. The Nominating and Remuneration Committee shall develop an annual performance evaluation process for the Directors.

### **• Removal:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013 and rules made thereunder or under any other applicable act, rules and regulations, 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.

## **PART - C**

### **POLICY RELATING TO THE REMUNERATION FOR THE MANAGING/WHOLE-TIME DIRECTOR, KEY MANAGERIAL PERSONNEL, SENIOR MANAGEMENT AND OTHER EMPLOYEES**

- General:

1. The remuneration paid is determined keeping in view the industry benchmark, the relative performance of the Company to the industry performance and review of remuneration packages of managerial personnel of other organizations. Perquisites and retirement benefits are paid according to the Company policy as applicable to senior executives of the Company, subject to prescribed statutory ceiling.
2. The remuneration of employees largely consists of basic salary, perquisites, bonus and performance incentives. The components of the total remuneration vary for different grades and are governed by the industry pattern, qualification & experience / merits, performance of each employee. The main objective of the remuneration policy is to motivate each and every employee and to stimulate excellence in their performance, recognize merits / achievements in order to retain the talent in the Company and to promote the feeling of belongingness.
3. The remuneration and commission, if any, to be paid to the Managing Director/Whole-time Director shall be in accordance with the percentage / slabs / conditions as per the provisions of the Companies Act, 2013, and the rules made thereunder and shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required by the Act.
4. In the case of Managing Director/Whole-time Director increments to the existing remuneration / compensation structure shall be approved/recommended by the Committee to the Board which should be within the slabs approved by the Shareholders.
5. Annual Increment, if any, to the employees will be effective from 1<sup>st</sup>April or such other date as per the Corporate HR Policy.

6. The variable pay, if any, shall be distributed by the Company based on the financial performance of the Company for the year ended 31<sup>st</sup>, December to all the employees based on their Salary during the period January to December and to those who are on the pay roll of the company at the time of distribution. The Company shall have a discretionary right on distribution of variable pay. The percentage of variable pay to be distributed to the employees shall be as per Corporate HR Policy.
7. Where any insurance is taken by the Company on behalf of its Managing Director/Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees 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.
8. The remuneration / compensation / commission etc. to the Managing Director/Whole-time Director, KMP and Senior Management Personnel will be approved by the Committee.

- **Remuneration to Managing / Whole-time / Executive Director:**

- 1. Fixed pay:**

The Managing/Whole-time Director shall be eligible for remuneration as may be approved by the Board on the recommendation of the Committee. The remuneration shall be approved by the Shareholders and Central Government, wherever required.

- 2. Minimum Remuneration:**

If, in any financial year, the Company has no profits or its profits are inadequate (as per Companies Act, 2013), the Company shall pay remuneration to its Managing Director/Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

- 3. Variable Pay to Managing Director**

The Variable Pay of the Managing Director shall be as per the scheme applicable to Managing Director of SPGPrints Operating Companies.



#### 4. Provisions for excess remuneration:

If any Managing Director/Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, wherever required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

- **Remuneration to Non- Executive / Independent Director:**

Independent Non-Executive Directors are appointed for their professional expertise in their individual capacity as independent professionals / business executives. Non-Executive Directors are paid sitting fees for attending the meetings of the Board and various other Committees, which is determined keeping in view comparable industry and corporate standards.

During the year, the Non-Executive Directors were paid sitting fees for attending each of the following meetings of the Company as under:

| Type of Meetings  | Sitting fees (in Rs.) |
|---|-----------------------|
| Board Meeting   | 18,000/-              |
| Audit Committee Meeting                                   | 9,000/-               |
| Share Transfer and Investors Grievances Committee Meeting | Nil                   |
| Remuneration Committee                                    | Nil                   |

Revision in Sitting Fees (subject to recommendation of Nomination and Remuneration Committee and approval of Board) for Committee and Board Meeting held **after 1<sup>st</sup> August 2014**, is as under:

| Type of Meetings  | Sitting fees (in Rs.) |
|---|-----------------------|
| Board Meeting   | 54,000/-              |
| Audit Committee Meeting                                   | 27,000/-              |
| Share Transfer and Investors Grievances Committee Meeting | Nil                   |
| Nomination and Remuneration Committee                     | 13,500/-              |

|                        |          |
|------------------------|----------|
| CSR Committee          | 13,500/- |
| Committee of Directors | 13,500/- |

### **Appendix 1:**

Section 149(6) of the Act prescribes the criteria for independent directors which are as follows:

- (i) such individuals must possess integrity and relevant industrial expertise;
- (ii) such individuals must not have any material or pecuniary relationship with the company or its subsidiaries;
- (iii) they or their relatives should not have had any pecuniary relationship with the company or its subsidiaries, amounting to 2% or more of its gross turnover or total income or INR 5 million whichever is less, during the two immediately preceding financial years or in the current financial year;
- (iv) such appointees or their relatives should not have any key managerial position in the company or its subsidiary companies during any of the three preceding financial years;
- (v) such persons or their relatives should not have been an employee of the company or its subsidiary companies during any of the three preceding financial years;
- (vi) they or their relatives must not be a director of a nonprofit organization, which receives 25% or more of its receipts from the company or its subsidiary companies or its promoters/directors or from anyone who holds 2% of voting rights in such companies;
- (vii) such individuals must not be a promoter of the company or its subsidiaries;
- (viii) they must not hold more than 2% voting rights in the company either by themselves or together with their relatives