

**NITCO LIMITED**  
**NOMINATION AND REMUNERATION POLICY**

**1. PREAMBLE**

As per Section 178 of the Companies Act, 2013 and Rules made thereunder and Regulation 19(4) read with Part D of Schedule II of SEBI (LODR) Regulations, 2015 the Nomination and Remuneration Policy of NITCO Ltd. (the "Company") is designed to attract, motivate, improve productivity and retain manpower, by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits. The policy reflects the Company's objectives for good corporate governance as well as sustained long term value creation for shareholders.

This policy applies to directors, senior management including its Key Managerial Personnel (KMP) and other senior management personnel of the Company.

**2. OBJECTIVES:**

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors and persons who may be appointed in Senior Management and Key Managerial positions.
- To determine remuneration based on the Company's size and financial position, cost of living, and trends and practices on remuneration prevailing in peer companies, in the tile industry.
- To carry out evaluation of the performance of Directors, as well as Key Managerial Personnel and Senior Management Personnel.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

**3. DEFINITIONS:**

The definitions of some key terms used in this policy are as under:

**"Act"** means the Companies Act 2013 and Rules framed there under, as amended from time to time.

**“Board or Board of Directors”** in relation to a company means the collective body of the directors of the Company

**“Director”** means directors appointed to the Board of the Company

**“Independent Director”** means a director referred to in Section 149 (6) of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015

**“Key Managerial Personnel”** in relation to the company means:

- a. The Managing Director
- b. CEO
- c. Chief Financial Officer
- d. Company Secretary
- e. Such other officer as may be prescribed

**“Nomination and Remuneration Committee or Committee”** shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (LODR) Regulations, 2015.

**“Senior Management”** means personnel of the Company who are members of its core management team excluding the Board of Directors including all members of management of one level below the CEO/MD/WTD/Manager (including CEO/Manager, in case they are not part of the board) and shall include CS and CFO. Functional Heads.

#### **4. APPLICABILITY:**

The Policy is applicable to

- Directors (includes Independent directors)
- Key Managerial Personnel
- Senior Management Personnel

#### **5. CONSTITUTION OF COMMITTEE:**

Members of the Nomination & Remuneration Committee shall be appointed by the Board and shall comprise of three or more non-executive directors out of which not less than one-half shall be independent directors. Chairman of the Committee shall be an Independent Director. Chairman of the Nomination and Remuneration Committee shall be present at the Annual General Meeting or may nominate some other member to answer

the shareholders' queries. The Chairman of the Company may be appointed as member of the Committee.

The Board shall reconstitute the Committee as and when required to comply with the provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and other applicable statutory requirements.

## **6. ROLE AND POWERS OF THE COMMITTEE:**

Terms of reference of the Committee, inter alia, include:

- 1) Identifying 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 and shall carry out evaluation of every director's performance.
- 2) Formulating 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.
- 3) Formulating the Criteria for evaluation of Independent Directors and the Board.
- 4) Ensuring that—
  - (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;
  - (c) Remuneration to directors, key managerial personnel and senior management ~~(one level below the functional heads)~~ 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.
- 5) Devising a policy on Board Diversity
- 6) Formulating the detailed terms and conditions of the ESOP schemes which shall include the provisions as specified by Board in this regard.

- 7) Framing suitable policies and procedures of ESOP to ensure that there is no violation of securities laws, as amended from time to time, including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 by the company and its employees, as applicable.
- 8) To approve the list of employees to whom the scheme is to be granted.
- 9) To determine the procedure for winding up of the scheme

## **7. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT**

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

- 1) 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 his / her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- 2) The Company shall not appoint or continue the employment of any person as Managing Director / Whole time Director who has attained the age of seventy years provided that the term of the person holding this position may be extended beyond the age of seventy years 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 beyond seventy years.

### **Term/Tenure:**

#### **a) 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 five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

#### **b) Independent Director:**

- i) An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company 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.
- ii) No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, 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.
- iii) 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 three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

**c) KMP / Senior Management Employees**

Term of appointment is governed by the letter of appointment issued to the respective KMP/ Employee.

**Performance Evaluation:**

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

The criteria for performance evaluation are as follows:

**1. Role & Accountability**

- Application of knowledge for rendering advice to management for resolution of business issues.
- Active engagement with the management and attentiveness to progress of decisions taken.

**2. Objectivity**

- Appraisal of issues.
- Own recommendations given professionally without tending to majority or popular views.

**3. Leadership & Initiative**

- Heading department / section/ Board Committees.

- Driving any function or identified initiative based on domain knowledge and experience.

#### 4. Personal Attributes

- Commitment to role & fiduciary responsibilities.
- Active participation.
- Proactive, strategic and lateral thinking.

#### **Removal:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations or in accordance with the contract of service / letter of appointment, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel.

#### **Retirement:**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 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.

### **8. POLICY RELATING TO THE REMUNERATION FOR THE CEO, KMP AND SENIOR MANAGEMENT PERSONNEL**

General:

1. The remuneration / compensation / commission etc. to the CEO, KMP and Senior Management Personnel 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 / Central Government, wherever required.
2. Where any insurance is taken by the Company on behalf of its Managing 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.

## **REMUNERATION TO MANAGING DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL**

Remuneration to Managing Director, KMP and Senior Management consists of the following components:

### 1. Salary & Perquisites:

The MD, KMP and Senior Management Personnel 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, employer's contribution to P.F, pension scheme, medical expenses, re-imbursment of gas electricity and water expenses, HRA, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

### 2. Commission:

MD would also be entitled for the commission in accordance with the provisions of the Companies Act, 2013

### 3. 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 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.

### 4. Provisions for excess remuneration:

If any MD or 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, where 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.

### 5. Stock Options:

Director shall not be entitled to any stock option of the Company. However KMP and Senior management may be granted the ESOPs in accordance with the scheme as may be approved by the Committee from time to time.

## **REMUNERATION TO NON- EXECUTIVE / INDEPENDENT DIRECTOR**

Remuneration to non- executive Directors / Independent directors consists of the following components:

1. **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 not exceed Rs. One lakh per meeting of the Board or Committee or such amount as may be prescribed under the Companies Act 2013 from time to time.
2. **Stock Options:** An Independent Director shall not be entitled to any stock option of the Company.

## **9. SEVERANCE ARRANGEMENTS:**

Contract of employment for KMP and Managing Director provides for appropriate notice on either side.

## **10. DISCLOSURE OF INFORMATION:**

Information on the total remuneration of members of the Company's Board of Directors, and KMP/ senior management personnel will be disclosed in the Company's annual financial statements as per statutory requirements.

The Company's Remuneration Policy shall be posted on its website and disclosed in the Annual Report.

## **11. REVIEW:**

1. The Committee or the Board may review the Policy as and when it deems necessary.
2. This Policy may be amended or substituted by the Board as and when required.