

KAYNES TECHNOLOGY INDIA LIMITED CIN NO: L29128KA2008PLC045825	Policy on appointment and remuneration of Directors, Key Managerial Personnel and other employees
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POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

BACKGROUND

The policy on appointment and remuneration of Directors, Key Managerial Personnel and other employees (“the Policy”) provides an underlying basis and guide for human resource management, thereby aligning plans for strategic growth of the Company. The policy has been prepared pursuant to the provision of Section 178(4) of the Companies Act, 2013 (“the Act”) and Regulation 19(4) read with Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

This Policy is divided in four parts: -

- **Section I** – Key objectives of the Nomination & Remuneration Committee (“the Committee”) and this Policy;
- **Section II** – Duties of the Committee in relation to various matters including recommendations to be made by the Committee to the Board;
- **Section III** – The Policy on appointment, term and retirement of Director, Key Managerial Personnel and Senior Management by the Committee;
- **Section IV** – Provisions relating to the Remuneration for the Whole-time Director, Key Managerial Personnel, Senior Management Personnel.

Definition

‘**Act**’ means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

‘**Board**’ means Board of Directors of the Company.

‘**Committee**’ means the Nomination and Remuneration Committee.

‘**Directors**’ mean Directors of the Company.

Other words, expressions specifically not defined here, shall assume to carry the meaning as defined in the Companies Act, 2013 or as per the SEBI Listing Regulations.

A brief summary of the policy in relation to the objective, appointment criteria, remuneration and general matters as administered by the Nomination and Remuneration Committee are reproduced herewith:

SECTION I

The Key Objectives of the Policy would be:

- To guide the Board in relation to appointment, retention and removal of Directors, Key Managerial Personnel and Senior Management;
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board;
- To ensure the relationship of remuneration to performance is clear and meets appropriate performance benchmarks ;
- To recommend to the Board, the level and composition of remuneration payable to Directors, Key Management Personnel and Senior Management is reasonable and sufficient to attract, retain and motivate them;
- To ensure that the, remuneration payable 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 retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage;
- To devise a policy on Board diversity;
- To develop a succession plan for the Board & Senior Management and to regularly review the plan.

SECTION II

This section covers the duties of the Committee in relation to various matters and recommendations to be made by the Committee to the Board.

Duties and Role of Committee

Matters to be dealt with, perused and recommended to the Board by the Committee shall include –

- Formulating the criteria for determining qualifications, positive attributes and independence of a Director;
- Identifying persons who are qualified to become Director and persons who may be appointed in Key Managerial positions in accordance with the criteria laid down in this policy;
- Recommending to the Board, appointment and removal of Directors, Key Managerial Personnel and Senior Management Personnel.

Specifically, the duties include

A. Nomination Matters

- Determining the appropriate size, composition and diversity of the Board;
- Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- Ensuring that there is an appropriate induction plan in place for new Directors and reviewing its effectiveness;
- Identifying and recommending Directors who are to be put forward for appointment, reappointment and eligible for retire by rotation;
- Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance, industry benchmarks and compliance;
- 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;
- Recommend necessary changes to the Board in line with Board Diversity Policy;
- Considering any other matters, as may be requested by the Board.

B. Remuneration Matters

- To consider and determine whether the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors; To consider and recommend remuneration payable to senior management including Key Managerial Personnel of the Company by maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company, and its growth strategy;
- To manage and administer the Employee Stock Option Plans including long term incentive in the form of RSUs of the Company;
- To consider any other matters as may be requested by the Board.

SECTION III

This section covers the Policy for appointment, term and retirement of Director and Key Managerial Personnel by the Committee.

Appointment criteria and qualifications:

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel or Senior Management and recommend to the Board his / her appointment;
- The Committee shall, with reference to every appointment of an Independent Director, 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.
- The Committee may, for the purpose of identifying suitable candidates undertake the following –
 - i. use the services of an external agencies, if required;
 - ii. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - iii. consider the time commitments of the candidates.
- 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 is sufficient / satisfactory for the concerned position;
- The Company shall not appoint any person as Managing Director/Whole-time Director who has attained the age of seventy years, unless 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;
- The Company shall not appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy-five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

Term / Tenure:

- **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 such term as may be specified under the Act. No re-appointment shall be made earlier than one year before the expiry of term, and which shall be done with the approval of the shareholders of the Company, based on the recommendation of the Nomination and Remuneration Committee and the Board.
- **Independent Director** - 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

appointment, re-appointment or removal pursuant to a special resolution passed 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 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.

- The committee shall ensure to include evaluation as a criteria towards the decision on whether to extend or continue the term of appointment of the independent director on the basis of the report of performance evaluation of independent directors.

Evaluation

The Committee shall carry out evaluation of performance of every Director at regular intervals and at least on an annual basis.

Removal

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

Retirement

The Director, Key Managerial Personnel 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 or Key Managerial Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

SECTION IV

This Section of the Policy covers provisions relating to the Remuneration for the Whole-time Director, Key Managerial Personnel and Senior Management Personnel.

General

- The remuneration to the Whole-time Director and Key Managerial Personnel will be determined by the Committee and recommended to the Board for approval. Wherever required, the remuneration / compensation / commission etc. shall be subject to approval of the shareholders of the Company and Central Government.

- The remuneration and commission including increments recommended to be paid to the Whole-time Director shall be in accordance with the percentage / slabs/ conditions laid down as per the provisions of the Act. These would be subject to approval of the shareholders of the Company.
- Where any insurance is taken by the Company on behalf of its Directors, KMP and Senior Management 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 Whole-time / Executive / Managing Director / Key Managerial Personnel and Senior Management:

- a) Fixed pay:** The Executive Directors, 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 fees or compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if-
 - I. the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or
 - II. where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the listed entity.
- b)** The breakup of the pay scale and quantum of perquisites including, employer's contribution to provident fund, 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. The Committee shall recommend to the Board for approval of the remuneration payable to the Senior Management.
- c) 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 Director in accordance with the provisions of Schedule V of the Act.
- d) Long-term rewards:** The long-term rewards are linked to contribution to the performance of the Company based on relative position of the personnel in the organisation. These rewards could be in the form / nature of stock options including long term incentive in the form of RSUs and are based on level of employees and their criticality.
- e) 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. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

Remuneration to Non- Executive / Independent Director:

- a) **Remuneration / Commission:** The remuneration / commission shall be fixed as per the limits mentioned in the Act, subject to approval from the shareholders as applicable. The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof.
- b) **Sitting Fees:** The Non- Executive / Independent Director shall receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed such amount as may be prescribed by the Central Government from time to time.
- c) **Stock Options:** An Independent Director shall not be entitled to any stock option including long term incentive in the form of RSUs of the Company.

In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board meetings, Committee meetings, general meetings, court convened meetings, meetings with shareholders/creditors/management, site visits, induction and training (organised by the Company for Directors) and in obtaining professional advice from independent advisors in the furtherance of his/her duties as a director.

AMENDMENTS AND UPDATES

The Nomination and Remuneration Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate, which shall be in accordance with the provisions of the Act & SEBI Listing Regulations. In case of any modifications, amendments or inconsistencies with the Act and SEBI Listing Regulations, the provisions of the applicable prevailing laws and the rules made thereunder would prevail over the Policy.
