

# **PERFECTPAC LIMITED**

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## **NOMINATION AND REMUNERATION POLICY**

### **SCOPE**

This Policy aims to ensure that the persons appointed as Directors, Key Managerial Personnel and Senior Management possess requisite qualifications, experience, expertise and attributes commensurate to their positions and level and that the composition of remuneration to such persons is fair and reasonable and sufficient to attract, retain and motivate the personnel to manage the Company successfully.

This Policy has been developed and implemented by the Nomination and Remuneration Committee and is applicable to Directors, Key Managerial Personnel, Senior Management and other employees of the Company.

This Policy is in compliance with Section 178 of the Companies Act, 2013 and Regulation 19 read with Part- D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended and applies to the following categories of Directors and employees of the Company:

Part I - Key managerial Personnel

Part II - Non Executive Directors / Independent Directors

Part III - Senior Management and other Employees

### **DEFINITIONS**

(a) "Act" means the Companies Act, 2013 read with the rules, clarifications, circulars and orders issued thereunder from time to time including any modification or re-enactment thereof.

(b) "Board" means the Board of Directors of the Company.

(c) "Independent Director" means an Independent Director of the Company appointed in pursuance of the Act and Listing Regulations.

(d) "Key Managerial Personnel" or "KMP" means person(s) appointed as such in pursuance of Section 203 of the Act.

(e) "Listing Regulations" means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(f) "NRC" means Nomination and Remuneration Committee of the Board, constituted in accordance with the provisions of Section 178 of the Act and the Listing Regulations.

(g) "Other Employees" means all the employees of the Company other than the Key Managerial Personnel and the Senior Management.

(h) "Rules" means the rules framed under the Act.

(i) "Senior Management" shall mean the personnel of the Company designated as Senior Management in accordance with the definition laid down under Explanation to Section 178 of the Act and Regulation 16(1)(d) of the Listing Regulations.

Unless the context otherwise provides, terms not defined herein and used in this Policy, shall bear the same meaning as prescribed under the Act, the Listing Regulations or any other relevant law.

Where an employee is a Key Managerial Personnel as well as holds a Senior Management Position (such as CFO, CS, etc.), his/her terms of appointment shall be governed by both Part I and Part III of this Policy and in the event of any conflict, the stricter clause shall prevail.

### **GENERAL QUALIFICATION AND ATTRIBUTES FOR ALL DIRECTORS**

The prospective Director:

- Should be a reasonable person with integrity and ethical standards.
- Should meet the requirements of the Act, the Listing Regulations and other applicable laws for the time being in force.
- Should have the requisite qualifications, skills, knowledge, experience and expertise relevant or useful to the business of the Company. The relevant experience could be in areas of management, human resources, sales, administration, research, Corporate Governance, manufacturing, international operations, public service, finance, accounting, strategic planning, risk management, supply chain, science and technology, marketing, law or any other area considered necessary by the Board/NRC.
- Should be a person who is capable of balancing the interests of the Company, its employees, the shareholders, the community and for the protection of the environment.
- Is expected to:
  - a. Uphold ethical standards of integrity and probity.
  - b. Act objectively and constructively while exercising his/her duties.
  - c. Exercise his/her responsibilities in a bonafide manner in the interest of the Company.
  - d. Devote sufficient time and attention for informed and balanced decision making.
  - e. Not allow any extraneous considerations that will vitiate his/her exercise of objective independent judgment in the paramount interest of the Company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making.
  - f. Not abuse his/her position to the detriment of the Company or its shareholders or to gain direct or indirect personal advantage or advantage for any associated person.
  - g. Avoid conflict of interest, and in case of any situation of conflict of interest, make appropriate disclosures to the Board.
  - h. Assist the Company in implementing the best corporate governance practices.
  - i. Exhibit his/her total submission to the limits of law in drawing up the business policies, including strict adherence to and monitoring of legal compliances at all levels.
  - j. Have ability to read and understand the financial statements.
  - k. Protect confidentiality of the confidential and proprietary information of the Company.

NRC has the discretion to decide whether qualification, expertise, experience and attributes possessed by a person are sufficient/ satisfactory for the concerned position.

## **COMPLIANCES**

The terms/ process of appointment/ re-appointment and remuneration of the Directors and other employees covered under this Policy shall be governed by the provisions of the Act, Rules, Listing Regulations, other applicable laws and policies and practices of the Company.

## **DISCOLSURES**

Disclosure about this Policy shall be made in compliance with the applicable laws.

## **REVIEW / AMENDMENT**

Based on the recommendation of the NRC, the Board may amend, abrogate, modify or revise any or all clauses of this Policy in accordance with the Act, Listing Agreement and/or any other applicable law or regulation.

*This revised Nomination and Remuneration Policy has been approved by the Board on August 10, 2019 on recommendation of Nomination, and Remuneration Committee (NRC). It shall be effective immediately.*

## **PART I – KEY MANAGERIAL PERSONNEL**

Part I of this Policy comprises of two parts as under:

**PART A** - Managing Directors / Whole-Time Directors (“EDs”)

**PART B** - Chief Financial Officer, Company Secretary and other KMPs

### **PART A- MANAGING DIRECTORS / WHOLE-TIME DIRECTORS (“EDs”)**

#### **OBJECTIVES**

- Identify persons who possess appropriate qualifications, experience and attributes for appointment as EDs.
- The remuneration payable to the EDs is commensurate with their qualification, experience and capabilities and takes into account the past performance and achievements of such ED. A suitable component of remuneration payable to the EDs is linked to their performance, performance of the business and the Company.
- The remuneration payable to the EDs is comparable with the remuneration paid to the EDs of other companies which are similar to the Company in terms of nature of business, size and complexity.

#### **SPECIFIC QUALIFICATIONS AND ATTRIBUTES**

In addition to the qualifications and attributes specified in ‘General Qualifications and Attributes’ above, the prospective Director satisfies the criteria set out under the applicable law including the Act and the Listing Regulations for eligibility to be appointed as ED.

#### **PROCESS OF APPOINTMENT BAND REMOVAL**

##### **Appointment**

NRC shall identify suitable persons for appointment and recommend their appointment to the Board along with the terms of appointment and remuneration. The Board will consider recommendations of NRC and approve the appointment and remuneration, subject to approval of the shareholders of the Company.

##### **Removal**

Where the appointee is subjected to any disqualification(s) mentioned in the Act, Rules or under any other law, rules and regulations, code of conduct and/ or policies of the Company, NRC shall recommend to the Board his/her removal from the services of the Company.

#### **COMPONENTS OF REMUNERATION/INCREMENTS**

Remuneration shall consist of:

- Fixed remuneration including perquisites and allowances, retiral benefits (like Provident Fund/Gratuity/Superannuation/Leave encashment, etc.) and other benefits as per policy of the Company.

- Commission to Managing Director(s) based on the net profits of the Company and variable pay to Whole-Time Director(s) based on the performance of the individual, business and the Company as a whole.
- No Sitting Fee shall be payable for attending the meetings of the Board or committees thereof.
- Any other incentive as may be applicable.

### **Managing Directors**

Normally, the remuneration to be paid to the Managing Director(s) payable during the tenure of their appointment is determined by the shareholders of the Company. Therefore, no prescribed increment will be given in salary, allowances and in the commission during their tenure of appointment. However, the actual amount of remuneration may vary from year to year on account of re-imburement claims and variation in profit-linked commission.

### **Whole-Time Director**

Annual increment will be granted by the Board on recommendation of NRC, based on the performance of the individual, performance of the business and the Company as a whole.

The Board and the shareholders of the Company may approve changes in the remuneration from time to time.

## **PART B - CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND OTHER KMPs**

### **OBJECTIVES**

- Identify persons who possess appropriate qualifications, experience and attributes for appointment as Chief Financial Officer ("CFO"), Company Secretary ("CS") and other Key Managerial Personnel ("KMPs").
- The remuneration payable to CFO, CS and KMPs is commensurate with his/ her qualification, experience and capabilities and takes into account the past performance and achievements of such individual. Remuneration payable to them is comparable with the remuneration paid to persons performing the same or similar roles in other companies which are similar to the Company in terms of nature of business, size and complexity.
- A suitable component of their remuneration is linked to his/ her performance, performance of the business and the Company.

### **QUALIFICATIONS AND ATTRIBUTES**

- Should be a reasonable person with integrity and ethical standards.
- Have requisite qualification and experience as may be relevant to the task he/ she is expected to perform.

NRC/ Board has the discretion to decide whether qualification, expertise, experience and attributes possessed by the person are sufficient/ satisfactory for the concerned position.

### **PROCESS OF APPOINTMENT AND APPROVAL**

#### **Appointment**

- Appointment of KMPs (including terms and remuneration) shall be approved by the Board.
- Upon the NRC recommending the appointment of the CFO to the Audit Committee, the Audit Committee shall approve the appointment of CFO and recommend the same to the Board for approval after assessing the qualifications, experience, background, etc.

- Where a KMP is in Senior Management, the appointment (including terms and remuneration) shall be recommended by NRC to the Board for its approval.

### **Removal**

- Where KMP is subjected to any disqualification(s) mentioned in the Act, Rules or under any other applicable law, rules and regulations, Code of Conduct and/ or Policies of the Company, the Board may remove such KMP from the services of the Company.
- Where KMP is in Senior Management, his/her removal shall be recommended by NRC to the Board for its approval.

### **ELEMENTS/COMPONENTS OF REMUNERATION**

Remuneration and other perquisites/ facilities (including loans/ advances) shall be governed by the policies and practices of the Company from time to time. Remuneration shall consist of:

- Fixed remuneration including perquisites and allowances, retiral benefits (like Provident Fund/ Gratuity/ Superannuation/Leave encashment, etc.) and other benefits as per policy of the Company.
- Variable remuneration based on the performance of the individual, the function and the Company as a whole.
- Any other incentive as may be applicable.

### **ANNUAL APPRAISEL AND INCREMENT**

Appraisal and increment of KMPs who are designated as Senior Management Employees shall be recommended by NRC for approval of the Board. For other KMPs, appraisal and increment shall be done by the Managing Director / Whole-time Director in consultation with the Chairman. The following shall be taken into account for appraisal and increment:

- Individual's performance against Key Performance Indicators.
- The performance of:
  - a) individual;
  - b) business function handled by the individual; and
  - c) Company.
- The prevalent rate of increments given by companies of similar nature of business and size.
- The criticality of the individual to the Company in his capacity as a Key Managerial Personnel.

## **PART II – NON-EXECUTIVE DIRECTORS/ INDEPENDENT DIRECTORS**

### **OBJECTIVES**

- Identify persons who meet the criteria for independence, if required, as set out under the Act and the Listing Regulations and possess appropriate qualifications, experience and attributes for appointment to a Company of our size.
- The remuneration payable to the Non-executive / Independent Directors takes into account the contributions of the Director to the performance of the Company. Remuneration payable to them is fair and reasonable and comparable with the remuneration paid by other companies which are similar to the Company in terms of nature of business, size and complexity.

### **SPECIAL QUALIFICATIONS AND ATTRIBUTES FOR INDEPENDENT DIRECTOR**

In addition to the qualifications and attributes specified in 'General Qualifications and Attributes' above, the prospective Independent Director should meet the requirements of Schedule IV to the Act and the Listing Regulations.

### **PROCESS FOR APPOINTMENT AND REMOVAL**

#### **Appointment**

- NRC shall identify suitable persons for appointment and recommend their appointment to the Board. The Board will consider recommendations of NRC and accordingly, approve appointment and remuneration of Non-executive and/or Independent Directors subject to approval of the shareholders of the Company.
- The appointment of Independent Directors shall be formalized in accordance with the applicable laws.

#### **Removal**

- Where the appointee is subjected to any disqualification(s) mentioned in the Act, Rules or under any other law, rules and regulations, Code of Conduct and / or Policies of the Company, NRC shall recommend to the Board for removal of the appointee from directorship of the Company.

### **ELEMENTS / COMPONENTS OF REMUNERATION**

- Variable remuneration - Commission - As a % of the net profits of the Company as approved by the Board and/ or shareholders of the Company.
- Sitting fees for attending meetings of the Board and Committees thereof as recommended by NRC and approved by the Board and reimbursement of expenses for participation in the meetings of the Board and other meetings.

## **PART III – SENIOR MANAGEMENT & OTHER EMPLOYEES**

### **OBJECTIVES**

- Identify persons who possess appropriate qualifications, experience and attributes for appointment in the Senior Management and Other Employees category.
- Remuneration payable to the Senior Management and other employees is commensurate with their qualification, experience and capabilities and takes into account their past performance and achievements. Remuneration payable to them is comparable with the remuneration paid to employees at the same level in other companies which are similar to the Company in terms of nature of business, size and complexity.
- Depending on the level of the employee, a suitable component of remuneration is linked to performance of such individual employee, the performance of the business and the Company as per the HR Policy of the Company.

### **QUALIFICATIONS AND ATTRIBUTES**

- Should be a reasonable person with integrity and ethical standards.
- Senior Management: Should have the requisite qualification and experience as may be relevant to the task he / she is expected to perform.  
NRC has the discretion to decide whether qualification, expertise, experience and attributes possessed by a person are sufficient / satisfactory for the concerned Senior Management position.
- Other Employees: Qualification, expertise, experience and attributes will be determined by the Management as per the HR Policy of the Company.

### **PROCESS FOR APPOINTMENT AND REMOVAL**

#### **Appointment**

- NRC shall identify suitable persons for appointment in the Senior Management and recommend to the Board their appointment alongwith the terms of appointment and remuneration.
- The Board will consider recommendation of NRC and approve the appointment alongwith the terms of appointment and remuneration.
- Appointments to positions other than the Senior Management will be made as per the Company's HR policy.

#### **Removal**

- Where an employee in the Senior Management is subjected to any disqualification(s) mentioned in the Act, Rules or under any other law, rules and regulations, Code of Conduct and/ or Policies of the Company, the Board may remove such employee from the services of the Company, on recommendation of NRC.
- In case of other employees, the Management of the Company may terminate the services of such employee as per HR Policy of the Company.

### **ELEMENTS / COMPONENTS OF REMUNERATION**

Remuneration and other perquisites/ facilities (including loans/ advances) shall be governed by the policies and practices of the Company from time to time. Remuneration shall consist of:



- Fixed remuneration including perquisites and allowances, retiral benefits (like Provident Fund/ Gratuity/ Superannuation/Leave encashment, etc.) and other benefits as per policy of the Company.
- Variable remuneration based on the performance of the individual, the function and the Company as a whole.
- Any other incentive as may be applicable.

#### **ANNUAL APPRAISAL AND INCREMENT**

Appraisal and increment for the Senior Management shall be recommended by NRC for approval of the Board and for other employees, by the Senior Management or any other appropriate authorities after taking into account the following:

- Individual's performance against Key Performance Indicators.
- The performance of the:
  - a) individual;
  - b) business function handled by the individual; and
  - c) Company.
- The prevalent rate of increments given by the companies of similar nature of business and size.
- The criticality of the individual to the Company in his capacity as a member of the Senior Management or other employee category.