

# **SCHABLONA INDIA LIMITED**

## **NOMINATION AND REMUNERATION POLICY**

## INTRODUCTION

In terms of Section 178 of the Companies Act, 2013 ('Companies Act') and Clause 49 of the Listing Agreement, entered into by Schablona India Limited (the Company) with Stock Exchange, as amended from time to time, the Nomination and Remuneration Policy ('Policy') on nomination and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management and other employees of the Company has been formulated by the Nomination and Remuneration Committee (Nomenclature changed from 'Remuneration Committee' to 'Nomination and Remuneration Committee' at the meeting of Board of Directors held on 27<sup>th</sup> May, 2014) of the Company and approved and adopted by the Board of Directors at their meeting held on 31<sup>st</sup> March, 2015. This Policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, KMP & Senior Management of the Company.

### 1. DEFINITIONS

- '**Board**' means Board of Directors of the Company.
- '**Directors**' means Directors of the Company.
- '**Committee**' means Nomination and Remuneration Committee of Board of Directors of the Company, as constituted or reconstituted by the Board, in accordance with the provisions of Section 178 of the Companies Act, 2013 and the revised Clause 49 of the Listing Agreement.
- '**Company**' means Schablona India Limited.
- '**Employees Stock Option**' means the option given to the Directors, Officers or Employees of a Company or of its Holding Company or Subsidiary Company or Companies, if any, which gives such Directors, Officers or Employees, the benefit or right to purchase, or to subscribe for, the shares of the Company at a future date at a pre-determined price.
- '**Independent Director**' means a Director referred to in Section 149(6) of the Companies Act, 2013 and/or under the Revised Clause 49 of the Listing Agreement. 'Independent Director' shall mean a Non-executive Director other than a Nominee Director of the Company.
- '**Key Managerial Personnel (KMP)**' means-
  - (i) Managing Director, or Whole-time Director or Chief Executive Officer or Manager of the Company;
  - (ii) Company Secretary; and
  - (iii) Chief Financial Officer
- '**Policy or this Policy**' means, Nomination and Remuneration Policy.
- '**Remuneration**' means any money or its equivalent given or passed to any person for services rendered by him/her and includes perquisites as defined under the Income-tax Act, 1961.
- '**Listing Agreement**' shall mean agreement entered into by the Company with the Stock Exchange on which its shares are listed, containing such terms and conditions that are to be complied with for the continuous listing of its shares on the Stock Exchange, pursuant to the provisions of the Securities Contract Regulation Act, 1957, as may be modified or amended from time to time.
- '**Senior Management**' means personnel of the Company occupying the position of Chief Executive Officer (CEO) of any unit / division or Vice President including Vice President of any unit / division of the Company.  
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.

### 2. COMMITTEE COMPOSITION

- (a) The Committee shall at all times comprise of minimum three (3) Non-Executive Directors, of which at least half shall be independent directors.
- (b) The Board shall have the power to reconstitute the Committee or replace any Member of the Committee at any time, subject to the provisions of the Companies Act and Listing Agreement.
- (c) The Chairman of the Committee shall be an Independent Director.

- (d) The Chairman of the Company may be appointed as Member of the Committee but shall not Chair the Committee.

3. **GUIDING PRINCIPLES FOR FUNCTIONING OF THE COMMITTEE**

In performing its functions, the Committee shall be guided by the following principles:

- (a) the Committee shall take into account all factors it deems relevant and give due regard to the interests of shareholders and the financial and commercial health of the Company;
- (b) the Committee shall ensure that its policies are merit based and devised to motivate and promote efficiency; and
- (c) its recommendations are aligned to the best industry practices and aimed at attracting, motivating and retaining talented individuals.

4. **ROLES AND RESPONSIBILITIES OF THE COMMITTEE**

4.1 Roles and responsibilities of the Committee shall be as follows:

- (a) Formulating criteria for determining qualifications, positive attributes and independence of Directors;
- (b) Identifying and recommending individuals who are qualified to become Directors, and who may be appointed as Senior Management in accordance with the criteria laid down;
- (c) Assisting the management of the Company in formulating and periodically reviewing the familiarization programs for independent directors, as may be required;
- (d) Formulating criteria for evaluation of independent Directors and the Board;
- (e) Evaluating the performance of the Directors based on the evaluation criteria and furnishing the Board with the necessary report for further evaluation;
- (f) Recommending to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and Senior Management, and while formulating such policy ensuring that (i) 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; (ii) the relationship of remuneration to performance is clear and meets the appropriate performance benchmarks, and (iii) remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between the fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals;
- (g) Assisting the Board, as and when required, in relation to matters relating to remuneration and incentives payable to Directors, Key Managerial Personnel and Senior Management, including increments to the compensation structure;
- (h) Preparing a policy on diversity of the Board;
- (i) Recommending to the Board the re-appointment and removal of any individuals holding the office of a Director, Key Managerial Personnel or Senior Management, subject to the provision of the law and their service contract;
- (j) Reviewing remuneration of the Directors, Key Managerial Personnel and Senior Management based on performance criteria and recommending any changes thereto to the Board;
- (k) Determining whether the relevant Director has the requisite qualifications for practice of a profession in terms of section 197 of the Companies Act, in relation to payment of remuneration for services rendered by such Director;
- (l) Undertaking such other functions as may be determined by the Board or required under the provisions of the Companies Act or the Listing Agreement; and
- (m) Undertaking such other actions as may be necessary or appropriate for performance of the aforementioned functions.

4.2 The Committee as a whole shall act as an advisor to the Board and shall act in consultation with the management while performing its functions. The Committee may hold meeting with the members of the Board, Key Managerial Persons and Senior Management in order to ensure that its policies and decisions are aligned with the objectives of the Company.

5. **POLICY IN RELATION TO NOMINATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

5.1 **Guiding Principles**

- (a) The nomination procedure adopted by the Company for identifying and appointing Directors, Key Managerial Personnel and Senior Management , shall be driven by meritocracy and will focus on inducting individuals from diverse backgrounds, having appropriate skills, qualifications, knowledge, expertise or experience, in one or more fields such as engineering, finance, management, business administration, sales, marketing, law, accountancy, research, corporate governance, technical operations, education, community service or any other disciplines connected with the business of the Company.
- (b) The Company seeks to have a management comprising of likeminded personnel, possessing skills which assist the Company in achieving its objectives and aiming for inclusive growth of the Company and the community.
- (c) The Company specifically looks for persons with qualities such as: (i) Professional integrity and honesty; (ii) respect for and strong willingness to imbibe the Company's core values; (iii) ability to act impartially, exercise sound judgment and discharge the fiduciary duties owed by such individuals to the Company; (iv) strategic capability with business vision; (v) entrepreneurial spirit and track record of achievement; (vi) reasonable financial expertise; (vii) have contacts in the fields of business/corporate world/finance/chambers of commerce and industry; and (viii) capability to effectively review and challenge the performance of the management.
- (d) With respect to Independent Directors, the management of the Company shall devise and update, as and when required, programs for familiarizing such directors with the Company, its business, their roles, rights and responsibilities in the Company etc.
- (e) The Company seeks to have diversity on the Board by bringing in professional performance in different areas of operations, transparency, corporate governance, financial management, risk assessment and mitigation strategy and human resource management in the Company. [The Company will be considerate of succession planning and Board diversity while making appointments of directors on the Board]

5.2 **Eligibility criteria**

Compliance with the provisions of the following Sections of the Companies Act and Clause/s of the Listing Agreement shall be mandatory for meeting the eligibility criteria for appointment as Director, KMP and Senior Management of the Company:-

- **For all Directors:**  
Section 164 of the Companies Act;
- **For Managing Director, Whole-time Director or Manager:** Sections 164, 196 of the Companies Act, read with Schedule V to the Companies Act.(Conditions to be fulfilled for the appointment of Managing Director or Whole-time Director or a Manager without the approval of the Central Government)During the tenure that he/she holds office as the Managing Director, Whole-time Director or a Manager of the Company, he must not hold office in any other Company except in a subsidiary of the Company. However, in case an individual is the Managing Director or Manager of any another Company (other than subsidiary Company), the Board may appoint such an individual as the Managing Director, if his appointment is made in accordance with Section 203 of the Companies Act and such an individual does not draw remuneration exceeding the limits specified in Part II of Schedule V to the Companies Act.

In case an individual does not meet the eligibility criteria as specified in the aforesaid Sections and Schedule to the Companies Act (except sub-clause (a) of Clause 5.2, such an individual may be appointed as the Managing Director, Whole-time Director or a Manager with the approval of the Central Government.

- **For Independent Directors:**

Sections 164, 149(6) of the Companies Act, read with Schedule IV(Code for Independent Directors) to the Companies Act and Clause 49(II)(B)(1) of the Listing Agreement.

- **For Key Managerial Personnel and Senior Management:** Individuals to be appointed as Key Managerial Personnel (other than Managing Director, Manager and Whole-time Director) and Senior Management shall have such qualification, experience and expertise as may be determined by the management in consultation with the Committee, provided that a Whole-time Key Managerial Personnel of the Company shall not hold office in any other company at the same time except (i) in its subsidiary; or (ii) as a Director of the other Company, without the permission of the Board.

## 6. **APPOINTMENT, TERM AND RETIREMENT**

### 6.1 **Appointment and retirement:**

- (a) All Directors shall be appointed by the Board, based on the recommendations made by the Committee, subject to the prior/post approval of the Shareholders of the Company and/or the Central Government, as may be required under the applicable laws.
- (b) The Company shall issue formal letters of appointment to the independent Directors in a manner provided in the Companies Act.
- (c) A whole-time KMP of a Company shall be appointed only by a resolution of the Board containing the terms and conditions of the appointment including the remuneration.
- (d) The retirement of the Directors shall be determined by the Board in accordance with the provisions of the Companies Act.

### 6.2 **Term of Office:**

- (a) No individual shall be appointed as the Managing Director, Whole-time Director or Manager for a term exceeding 5 (Five) years at a time and no re-appointment shall be made earlier than one year before the expiry of his term.
- (b) An independent director shall hold office for a term up to 5 (five) consecutive years and may be re-appointed for another term of 5 (five) consecutive years, by a special resolution of the Members of the Company. An individual who has held office as an independent director for two consecutive terms, shall be eligible for appointment as an independent director of the Company only after expiry of 3 (three) years of him ceasing to hold office as an independent director of the Company, if he has not, during the said period of 3 (three) years been associated with the Company in any other capacity, either directly or indirectly.
- (c) It is clarified that unless otherwise provided in the Companies Act, the term completed by an independent director prior to April 1, 2014 shall not be considered for fulfilling the requirements specified in Clause 6.2(b) above.

## 7. **REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT.**

7.1 **Guiding Principles:** This Policy of the Company aims to attract, retain and motivate professionals; in order to enable the Company to achieve its strategic objectives and develop strong performance based culture and competitive environment. This Policy and the compensation structure has been devised after taking into account all relevant factors and giving due regard to the interests of shareholders and the financial and commercial health of the Company.

7.2 **Board to determine the remuneration:** The Board while determining the remuneration package of the Directors, Key Managerial Personnel and Senior Management may take into account, all or any of the following:

- (a) The requirement of the Company, specifically in terms of the skill sets required, the qualification of the persons being considered and the long term and short term goals of the Company;
- (b) Interests of the shareholders and the financial and commercial health of the Company;
- (c) Individual performance of the persons being considered;
- (d) Performance of the Company;
- (e) Remuneration packages offered by companies of comparable size in the same business as the Company;
- (f) Remuneration package offered at the same level by companies of comparable size in other businesses; and
- (g) Other relevant factors it deems necessary.

7.3 **Maximum Threshold:** Except as otherwise provided under the Companies Act or with the prior approval of the Central Government, the total managerial remuneration payable by the Company, to its Directors (including Managing Director and Whole-time Director) and its Manager in respect of a financial year shall not exceed 11% (eleven per cent) of the net profits of the Company in the relevant financial year, computed in the manner prescribed under the Companies Act. Further, except with the approval of the Company in general meeting:

- (a) The remuneration payable to any one Managing Director; or Whole-time Director or Manager shall not exceed 5% of the net profits of the Company and if there is more than one such Directors, remuneration shall not exceed ten per cent of the net profits to all such Directors and Manager taken together;
- (b) The remuneration payable to Directors who are not Managing Directors nor Whole-time Directors shall not exceed 1% (one per cent) of the net profits of the Company.

7.4 **Manner of payment:** Remuneration payable to Key Managerial Personnel and Senior Management may be mix of (i) fixed components such as salary, perquisites and allowances and (ii) variable components including commission, based on the individual performance and the performance of the Company, as determined by the Board, provided that the remuneration payable to the Directors shall be subject to the prior/post approval of the shareholders of the Company and/or the Central Government, as may be required under the applicable laws.

7.5 **Perquisites/allowances:** The Company may offer perquisites and allowances such as house rent allowance, leave travel concession, medical reimbursement, club membership, personal accident insurance and such other benefits, facilities and allowances, to Directors, Key Managerial Personnel and Senior Management as determined by the Board from time to time.

7.6 **Stock Options:** The Company may issue stock option to its Directors (other than Independent Directors), Key Managerial Personnel and Senior Management, as it may deem fit.

7.7 **Sitting Fee:** Non-executive Directors of the Company may be entitled to a sitting fee, as determined by the Board or the Company in accordance with the provisions of the Companies Act. No Executive Director shall be entitled to receive a sitting fee for attending Board meeting of the Company. Sitting fee will not be considered as a part of remuneration for determining the aggregate managerial remuneration being paid to Directors in accordance with this Policy.

7.8 **Remuneration to Non-Executive Directors:** Non-Executive Directors may receive remuneration by way of (i) Sitting Fee, (ii) reimbursement of expenses for participation in the Board and other meetings; (iii) profit related commission as may be approved by the shareholders and (iv) in such other manner as may be permitted under applicable law. An Independent Director shall not be entitled to any stock option.

7.9 **Fee for professional services:** It is clarified that, the fee payable to a Director for any professional services rendered by him to the Company shall not be

considered as a part of the relevant Director's remuneration. Further, payment of such professional fee shall not require approval of the shareholders, if the Committee is satisfied that the Director possess the relevant qualifications for practicing the profession. Provided, however that in case approval of the shareholders is required pursuant to the related party transactions policy of the Company or under the Companies Act (by virtue of such a transaction being considered as a contract or arrangement for availing any services and/or for appointment of a related party to any office or place of profit in the Company), such approval shall be obtained, in accordance with the provisions of the Companies Act or the Listing Agreement.

- 7.10 **Professional Indemnity:** The Company may take such professional indemnity and liability insurance policy for its Directors, Key Managerial Persons and Senior Management, as the Board may deem fit and the premium paid on such insurance shall not to be treated as part of the remuneration payable to any such personnel, except as otherwise provided under the Companies Act.
- 7.11 **Minimum Remuneration:** If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Director in accordance with the provisions of Section II of Part II of Schedule V to the Companies Act and if it is not able to comply with such provisions, with the prior approval of the Central Government.
- 7.12 **Provisions for excess remuneration:** If any Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies 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.

8. **MEETINGS OF THE COMMITTEE**

- (a) The meetings of the Committee shall be held at such intervals as may be determined by the Members of the Committee or as may be required by the Board.
- (b) Minimum two (2) members shall constitute the quorum for the Committee meeting/s and the Chairman of the Committee shall preside over the meetings of the Committee. In the absence of the Chairman, the Members of the Committee present at the meeting shall choose one amongst themselves, to preside over the meeting/s.
- (c) Subject to the provisions of the Companies Act, the Committee may hold meetings through video conferencing or by other audio visual means or pass resolution by circulation.
- (d) A Member of the Committee shall not be present in the meeting, when his or her own remuneration, removal or re-appointment is discussed at the meeting or when his or her performance is being evaluated.
- (e) The Committee may invite such executives or consultants, as it considers appropriate, to participate in the meeting/s of the Committee and to assist the Committee on matters considered by the Committee.
- (f) Matters arising for determination by the Committee shall be decided by majority of votes of the members present and voting and any such decision shall for all purposes be deemed as the decision of the Committee. The Chairman of the meeting shall not have a casting vote.

9. **MINUTES OF COMMITTEE MEETING**

The minutes of all meetings of the Committee shall be signed by the Chairman of the Committee at the same or subsequent meeting of the Committee. Minutes of the Committee meetings will also be tabled at the subsequent Board Meeting.

10. **TENURE OF THE COMMITTEE**

The Committee shall continue to operate, subject to the provisions of the Companies Act and Listing Agreement, as may be amended from time to time.

11. **SECRETARY**  
The Company Secretary of the Company shall act as the Secretary to the Committee.

12. **OTHER TERMS**  
Membership of the Committee and the Nomination and Remuneration Policy shall be disclosed in the Annual Report of the Company.

13. **EVALUATION**  
The Committee shall review the performance of every Director on the basis of the criteria laid down by the Committee as detailed below for evaluation of performance and submit its report to the Board.

**A. Criteria For Evaluation Of Independent Director and The Board:**

**Executive Directors:**

The Executive Directors shall be evaluated on the basis of Targets/ Criteria met by the Executive Directors given by the Board from time to time.

**Non-Executive Directors:**

The Non-Executive Directors shall be evaluated on the basis of the following criteria's i.e. whether they:

- (a) Act objectively and constructively while exercising their duties;
- (b) Exercise their responsibilities in a bona fide manner in the interest of the Company;
- (c) Devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- (d) Do not abuse their position to the detriment of the Company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (e) Refrain from any action that would lead to loss of his independence;
- (f) Inform the Board immediately when they lose their independence;
- (g) Assist the Company in implementing the best corporate governance practices;
- (h) Strive to attend all meetings of the Board of Directors and the Committees;
- (i) Participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (j) Strive to attend the general meetings of the Company;
- (k) Keep themselves well informed about the Company and the external environment in which it operates;
- (l) Do not to unfairly obstruct the functioning of an otherwise proper Board or Committee of the Board;
- (m) Moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest;
- (n) Abide by Company's Memorandum and Articles of Association, Company's Policies and procedures including code of conduct, insider trading guidelines etc.

14. **APPLICABLE LAWS**  
In case the provisions of this Policy are in conflict with the provisions of the applicable law (including provisions of the Companies Act or the Listing Agreement) or any interpretation thereof are more beneficial than the provisions of this Policy, the provisions of the applicable law and the relevant interpretation thereof shall supersede the provisions of this Policy and the Company shall be entitled to act in accordance with such provisions of the applicable laws and any interpretation thereof. All actions taken by the Company in accordance with such applicable laws shall be deemed to be in consonance with this Policy.



## Schedule "A"

### PERFORMANCE EVALUATION OF DIRECTORS

#### **Part A: Common for all Directors**

Assessment of the following roles/attributes as performed by or observed in the Director whose performance is under evaluation:

Sl. No.	Role/Attribute	Remarks (Y/N)
1	Attendance and participation in meetings of the Board of Directors and of the Board of Committees.	
2	Devoted sufficient time and attention to professional obligations for informed and balanced decision making.	
3	Advising in implementation of good Corporate Governance practices.	
4	Independent in judgment and actions.	
5	Exercised his duties with due and reasonable care, skill and diligence.	
6	Acted in good faith and in the best interests of the Company towards promotion of interest of the stakeholders.	
7	Not engaging in conduct which may not be in the interests of the Company.	
8	Overall Performance	

**Part B: Applicable for Executive Directors**

Accomplishment of following Company goals during the year under review:

Sl. No.	Target	Remarks (Y/N)
1	Achievement of EBIDTA	
2	Compliance of applicable laws/statutory obligations in the functioning of the Company.	
3	Branch Equity	
4	New initiative/expansion/innovation.	
5	Customer satisfaction.	
6	Investor relations.	
7	Talent retention	
8	Awards & Recognitions.	
Overall Performance:		