

# **S. P. APPARELS LIMITED**

## **NOMINATION AND REMUNERATION POLICY**

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**Adopted on 06.08.2016**

Our policy on the appointment of Directors including Independent Directors, Key Managerial Personnel (KMP) and senior management and the policy on remuneration of the Directors, KMP and other employees provides a referendum based on which the [Human Resource Talent Management Team] plans and strategies their recruitment plans for the growth of the Company. The policy is provided herewith pursuant to the provisions of Sections 178(3) and 178(4) 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 (“Listing Regulations”), and is adopted by the Board of Directors on 06.08.2016 as recommended by the Nomination and Remuneration Committee (NRC).

#### **Introduction:**

The Company believes that human resources, as an asset, are important and play an integral part in the growth and success of the Company. The Company also acknowledges that a Board with diversified expertise and experience, adequate mix of Executive and Independent Directors, provides the desired vision, governance structure and mission to the Company in order to enable it to achieve its goals.

#### **Objective and Purpose of the Policy:**

In line with the requirements of the Listing Regulations and the Companies Act, 2013, the objectives and purpose of the policy are as under:

- To formulate the criteria for determining qualifications, competencies, positive attributes and independence for the appointment of a director and to recommend their appointment/removal;
- To lay out the remuneration principles for the directors, KMP and other employees;
- To formulate the criteria for evaluation of the Board and all the directors;
- To lay down the criteria for identifying people who can be appointed in senior management and recommend their appointment.

#### **Terms and References:**

In this Policy, the following terms shall have the following meanings:

“*The Board*” means the Board of Directors of the Company

“*Director*” means a director of a company

“*Committee*” means the Nomination and Remuneration Committee as constituted or reconstituted by the Board, in accordance with the provisions of Section 178 of the Companies Act, 2013 and the Listing Regulations

“*Independent Director*” means a director referred to in sub- section (6) of Section 149 of the Companies Act, 2013 and Regulation 16 of the Listing Regulations.

*“Key Managerial Personnel”* (KMP) means

- The Chief Executive Officer or the Managing Director or the manager;
- The Whole-Time Director;
- The Chief Financial Officer; and
- The Company Secretary;

and such other officer as may be prescribed under the Companies Act, 2013 from time to time.

*“Senior Management”* means personnel of the Company who are members of its core management team excluding the Board and all members of the management one level below the Executive Directors.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 (“Act”) and Listing Regulations as may be amended from time to time shall have the same meaning assigned to them therein.

**Policy for the appointment and removal of Directors, KMP and Senior Management:**

The criteria for the appointment of Directors, KMP and Senior Management are as follows:

- 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 to the Board his/her appointment
- The candidate shall possess adequate qualification, expertise and experience for the position he/she is considered for appointment
- The appointment of any Whole-Time Director/KMP/Senior Management shall also be governed by the prevailing employment policies of the Company
- A Whole-Time KMP of the Company shall not hold office in more than one Company except in its subsidiary company at the same time. However, a Whole-Time KMP can be appointed as a Director in any company subject to the same being intimated to the Board or being in accordance with the policy of the Company
- In case of an Independent Director, the proposed appointee should possess the desired attributes and should not suffer from any disqualifications as prescribed under Section 149(6) read with the relevant rules and Regulation 16 of the Listing Regulations.

**Term/Tenure:**

**Managing Director/Whole-time Director:**

The Company may appoint or re-appoint a 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

**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 re-appointment for another term up to five consecutive years as per the Companies Act, 2013. No Independent Director shall hold office for more than two consecutive terms. The terms and conditions of appointment will be as prescribed from time to time under the Companies Act, 2013 and the Listing Regulations.

**Removal:** Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations thereunder or for such other compelling reasons, the Committee may recommend to the Board with reasons recorded in writing, removal of an Independent Director, KMP or Senior Management Personnel subject to the provisions and compliance to the Act, Rules and Regulations and applicable policies of the Company.

**Retirement:** The Independent Directors shall not be liable to retire by rotation. The other Directors, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and prevailing policies of the Company. The Board will have the discretion to retain the Whole-time Directors, KMP or other Senior Management Personnel in the same position/remuneration or otherwise, for the benefit of the Company.

**Policy relating to the Remuneration for the Whole-Time Director, KMP and other employees:**

- The remuneration should be reasonable and sufficient in order to justify the position and responsibility and to retain the Directors;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- Remuneration to Whole-Time Directors, KMP and Senior Management Personnel and other employees involves a clear balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.
- Remuneration to the Directors will be determined by the Committee and recommended to the Board. The same shall be subject to the approval of the shareholders.
- Increments to the existing remuneration of the Directors shall be approved by the Committee within the overall limits as approved by the shareholders and placed before the Board.
- Increments to the existing remuneration of KMP and Senior Management will be approved by the committee and recommended to the Board as and when required.

• While determining the remuneration/ compensation/ benefits, etc. to the Whole-Time Directors, KMP and Senior Management Personnel and other employees, the Committee shall keep in mind the following criteria:

- That the remuneration is aligned with market when compared to relevant peer companies;
- Understandable and valuable to the talent the Company wishes to attract, motivate, engage and retain.

#### **Remuneration to Non-Executive/Independent Directors:**

##### **Sitting Fees:**

Non-Executive/Independent Directors shall be paid sitting fees for attending the meetings of the Board and the Committees of which they are members. The Board may at its discretion revise the sitting fees payable to the Non-Executive/Independent Directors from time to time provided that the amount of such fees shall not exceed the limits prescribed under the Companies Act, 2013 or rules made thereunder.

##### **Committee Members Interest**

A member of the NRC is not entitled to participate in the discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated.

NRC may invite such executives, as it considers appropriate, to be present at the meetings of the Compensation Committee.

#### **ADOPTION, CHANGES AND DISCLOSURE OF INFORMATION**

This Policy and any changes thereof will be approved by the Board based on the recommendation(s) of the NRC.

This Policy may be reviewed at such intervals as the Board or NRC may deem necessary.

Such disclosures of this Policy as may be required under the Act and Listing Regulations may be made.

#### **DISSEMINATION OF POLICY**

A copy of this Policy shall be handed over to all Directors within one month from the date of approval by the Board. This Policy shall also be posted on the website of the Company at <http://www.spapparels.com> and the details of this Policy, including the evaluation criteria, shall be mentioned in the Annual Report of the Company.

The terms of this policy are subject to the provisions of the Companies Act and the Listing Regulations and in the event of any inconsistency, the provisions of the Companies Act and the Listing Regulations shall prevail.

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