

S. P. APPARELS LIMITED

NOMINATION AND REMUNERATION POLICY

NOMINATION AND REMUNERATION POLICY

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 the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and persons identified and designated as Key managerial personnel, other than the board of directors, by the listed entity.

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.

Role of the Committee:

- a. To formulate the criteria for determining qualifications, positive attributes and independence of a director.
- b. To formulate and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other senior management personnel.
- c. To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down by the Committee.
- d. To recommend to the Board the appointment and removal of Directors and senior management personnel.
- e. To recommend to the board, all remuneration, in whatever form, payable to senior management.
- f. To formulate the criteria for evaluation of performance of independent directors and the Board of Directors.

- g. To specify the manner for effective evaluation of performance of the Board of Directors, its committees and individual Directors, to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and to review its implementation and compliance.
- h. In every appointment of Independent Director, to evaluate the balance of skills, knowledge and experience on the Board, possessed by the person intended to be appointed as an Independent Director and on the basis of such evaluation, to prepare a description of the role and capabilities required of an independent director.
- i. To ensure that the person recommended to the Board for appointment as an Independent Director have all the capabilities identified by the Committee in the description of the role and capabilities required of an independent director
- j. For the purpose of identifying suitable candidates, the Committee may:
 - (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
- k. To recommend, 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
- l. To devise a policy on diversity of board of directors
- m. To carry out any other function as may be mandated by the Board from time to time and / or enforced by any statutory notification, amendment, modification or re-enactment thereof for the time being in force, as may be applicable.
- n. To perform such other functions as may be necessary or appropriate for the performance of its duties

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.

Evaluation: The Committee shall carry out evaluation of performance of Director, KMP and Senior Management Personnel yearly or at such intervals as may be considered necessary.

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:

1) Remuneration to Managing Director / Whole-time Directors:

- a) The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Directors, etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the Members of the Company.
- b) The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.

2) Remuneration to Non- Executive / Independent Directors:

- a) The Non-Executive / Independent Directors may receive sitting fees and such other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- b) All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.
- c) Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (b) above if the following conditions are satisfied: i) The Services are rendered by such Director in his capacity as the professional; and ii) In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.

3) Remuneration to Key Managerial Personnel and Senior Management:

- a) The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay/ commission/ incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.
- b) The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund etc. as decided from to time. c) The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

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.

* The Policy was revised on the Board meeting held on 10.02.2025
