

Nirlon Limited's Nomination and Remuneration (**NR**) Policy

(Effective from March 29, 2016)*

I. Background, Introduction of LODR, 2015 by SEBI, Amendment & Adoption of the NR Policy

i. Background

The Board of Directors of the Company initially formed a Remuneration Committee (**RC**) of Nirlon Limited ("**the Company**" or "**NL**") consisting of four (4) Independent Non-Executive Directors including one (1) woman director, which together constitute more than 50% of Board Members.

Thereafter, the said RC was re-named by the Board on July 25, 2014 as "**Nomination and Remuneration Committee**" (**NRC**) in order to align with Section 178 of the Companies Act, 2013, and the amended Clause 49 of the Listing Agreement.

The Board of Directors ("**the Board**") of NL adopted the Nomination and Remuneration (**NR**) Policy on November 13, 2014.

ii. Introduction of LODR, 2015 by SEBI

SEBI introduced Listing Obligations & Disclosure Requirements Regulations, 2015 (**LODR, 2015**) effective from December 1, 2015. LODR, 2015 provide, inter alia, various regulations, annexures and schedules and all listed companies are required to comply with the provisions of the LODR, 2015. With the introduction of the LODR, 2015 the BSE Listing Agreement comes to an end.

iii. Amendment to the NR policy

The LODR, 2015 do provide specific regulation with regard to Nomination and Remuneration and hence, the NR Policy originally adopted by the Board is required to be amended suitably by deleting the reference of clause 49 of the BSE Listing Agreement as the same is repealed.

iv. Adoption of the NR Policy

The Directors on March 29, 2016 approved the revised NR Policy in compliance with the Act and the LODR, 2015.

II. Objectives

NRC and **NR** Policy are in compliance with Section 178(1) of the Companies Act, 2013, and Regulation 19 read with Part D of Schedule II of the LODR,2015 , i.e.:-

1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management;
2. To evaluate the performance of the members of the Board, and to provide necessary report to the Board for further evaluation of the Board;
3. To recommend to the Board levels of remuneration payable to Directors, Key Managerial Personnel and other Senior Management;
4. ESOP and other related matters.

III. Definitions

- i. **"Nomination and Remuneration Committee"/"NRC"** means the existing Nomination and Remuneration Committee of Independent directors of the Company, and any reconstitution of the same from time to time in accordance with the Act and the LODR,2015;
- ii. **"Board"** means the Board of Directors of the Company from time to time;
- iii. **"Key Managerial Personnel"** means a person defined in section 2 (51) of the Companies Act, 2013 and shall include :-
 1. Executive Director;
 2. Company Secretary; and
 3. Chief Financial Officer
- iv. **"SEBI (LODR) Regulations, 2015"/ "LODR,2015 "** means Listing Obligations and Disclosure Requirements Regulations, 2015 as notified by the Securities and Exchange Board of India on September 2, 2015 effective from December 1, 2015, and any modification and amendment thereto;
- v. **"Senior Management"** means personnel of the Company who are members of its core management team excluding the Board of Directors. This would also include Vice Presidents, Head of Departments, General Managers and employees up to the rank of Senior Managers;
- vi. **"Policy"** means the Nomination and Remuneration Policy;
- vii. **"Act"** means Companies Act, 2013 any modifications and/ or re-enactment thereof;
- viii. **"Regulation"**, means Regulation 19 of the LODR and any

modification and amendment thereto.

IV. Constitution and Proceedings

A. Constitution

- i. The NRC shall always consist of at least three (3) Non-Executive Independent Directors, a majority of them being independent;
Accordingly, the NRC consists of four (4) Independent Non-Executive Directors including one (1) woman director, which constitutes more than 50% of Board Members.
The Chairman of the NRC shall be an Independent Director, and shall be a member of the NRC;
- ii. Minimum two (2) members shall constitute a quorum for the NRC meeting;
- iii. The Chairperson of the Company may be appointed as a member of the NRC but shall not be a Chairman of the NRC;
- iv. In the absence of the Chairman, the members of the NRC present at the meeting shall choose one amongst them to act as Chairman;
- v. The Chairman of the NRC meeting shall be present at the Annual General Meeting, or may nominate some other member to answer the shareholders' queries;
- vi. Meetings, Attendance and Membership of the NRC shall be disclosed in the Annual Report;
- vii. The term of the NRC shall be continued unless terminated by the Board of Directors;
- viii. The Company Secretary of the Company shall act as the Secretary of the NRC;

B. Proceedings

- i. The meeting of the NRC shall be held at such regular intervals as may be required by the Company;
- ii. A member of the NRC is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated;
- iii. The NRC may invite such executives, as it considers appropriate, to be present at the meetings of the NRC;
- iv. Matters arising for determination at NRC meetings shall be decided by a majority of votes of Members present, and voting and any such decision shall for all purposes be deemed a decision of the NRC;
- v. In case of equality of votes, the Chairman of the meeting will have a casting vote;

vi. The proceedings of all meetings shall be minuted and signed by the Chairman of the NRC at the subsequent meeting. Minutes of the NRC meetings will be tabled at the subsequent Board and NRC meeting.

V. Roles and Responsibilities

- i. To formulate a criteria for determining qualifications, the positive attributes and independence of a Director;
- ii. To recommend to the Board a policy relating to remuneration of the Directors, Key Managerial Personnel and other employees;
- iii. To recommend to the Board the appointment and removal of Key Managerial Personnel and Senior Management;
- iv. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board for their appointment and removal;
- v. To recommend to extend or continue the term of appointment of the independent directors, on the basis of the report on performance evaluation of independent directors;
- vi. To carry out evaluation of a Director's performance and recommend to the Board appointment /removal based on his / her performance;
- vii. Recommend to the Board on:-
 - a. The policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management; and
 - b. The Executive Director/s Remuneration and incentive;
- viii. To make 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;
- ix. To ensure that the level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
- x. To devise a policy on Board diversity;
- xi. To develop a succession plan for the Board and to regularly review the plan;
- xii. To monitor Nirlon's ESOP Plan;
- xiii. To ensure that there is an appropriate induction and training programme in place for new Directors and members of Senior Management and reviewing its effectiveness;

- xiv. To ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- xv. To identify and recommend Directors who are to be put forward for retirement by rotation;
- xvi. To determine the appropriate size, diversity and composition of the Board;
- xvii. To set a formal and transparent procedure for selecting new Directors for appointment to the Board;
- xviii. To evaluate the performance of the Board members and Senior Management in the context of the Company's performance from a business and compliance perspective;
- xix. To delegate any of its powers to one or more of its members or the Secretary of the NRC;
- xx. To recommend any necessary changes to the Board;
- xxi. Review Professional indemnity and liability insurance taken by the Company for Directors, Key Managerial Personnel and Senior Management;
- xxii. To consider any other matters as may be requested by the Board.

VI. Power to Remove Difficulties

If any difficulties arise in giving effect to the provisions of the NR Policy, the Chairman of the NRC in consultation with the Board may by an order make such provisions as it appears to be necessary or expedient for removing the difficulty by suitably amending/modifying such provisions, and such amendment/modification shall be displayed on the website of the Company.

This is always provided that such amendment/ modification shall in no event be inconsistent with the provision of the Act/ Regulation.

VII. Overriding Effects

The NR Policy will not override the Act and/ or the Regulation. Any amendment and/or modification to the Act /the Regulation shall prevail over the NR Policy.

Any provision contained in the NR Policy to the extent to which it is inconsistent or repugnant to the provisions of the Act /the Regulation shall become or be void, as the case may be.

*** POST INTRODUCTION OF LODR, 2015 BY THE SEBI**