

# **SAINIK FINANCE & INDUSTRIES LIMITED**

## **REMUNERATION POLICY FOR THE MEMBERS OF BOARD AND EXECUTIVE MANAGEMENT**

[Pursuant to Section 178(3) of the Companies Act, 2013 (“Act”) and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements), Regulation 2015]

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### **1. Preamble**

- 1.1 This remuneration policy provides a framework for remuneration to be paid to the members of the Board of Directors (“Board”), Key Managerial Personnel (“KMP”) and the Senior Management Personnel (“SMP”) of the Company (KMP and SMP are collectively referred to as “Executives”).
- 1.2 The expression Key Managerial Personnel (“KMP”) means personnel of the Company who have been appointed as such in terms of the provisions of section 203 of the Companies Act, 2013 and the rules made there under.
- 1.3 The expression Senior Management Personnel (“SMP”) means personnel of the Company who are members of its core management team excluding Board of Directors comprising of all members of management one level below the executive directors, including the functional heads.

### **2. Aims & Objectives**

- 2.1 The remuneration policy aims that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors and Executives of the quality required to run the Company successfully;
- 2.2 The remuneration policy aims that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- 2.3 The remuneration policy aims that the remuneration to Directors, Key Managerial Personnel and Senior Management Personnel involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals: and
- 2.4 The remuneration policy seeks to enable the Company to provide a well-balanced and performance-related compensation package, taking in to account shareholder interests, industry standards and relevant Indian corporate regulations.

### **3. Principles of remuneration**

- 3.1 Support for Strategic Objectives: Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, supports and reinforces the achievement of the Company’s vision and strategy.
- 3.2 Transparency: The process of fixing the remuneration to be paid to Directors and Executives shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.
- 3.3 Internal equity: The remuneration to the Directors and the Executives shall be in accordance with their roles within the Company. Positions shall be formally evaluated to determine their relative weight in relation to other positions within the Company.

- 3.4 External equity: The Company strives to pay an equitable remuneration, capable of attracting and retaining high quality personnel. Therefore the Company will remain logically mindful of the ongoing need to attract and retain high quality people and the influence of external remuneration pressures.
- 3.5 Flexibility: Remuneration and reward offerings shall be sufficiently flexible to meet both the needs of individuals and those of the Company whilst complying with relevant tax and other legislation.
- 3.6 Performance-Driven Remuneration: The Company shall entrench a culture of performance driven remuneration through the implementation of the performance incentive system.
- 3.7 Affordability and Sustainability: The Company shall ensure that remuneration is affordable on a sustainable basis.

#### **4 Nomination and Remuneration Committee**

- 4.1 The Nomination and Remuneration Committee shall comprise of three or more non-executive directors out of which not less than one-half shall be independent directors.
- 4.2 The Committee shall be responsible for:
- 4.2.1 Identifying person who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of Director's performance.
- 4.2.2 Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the Director and Executives.
- 4.3 The Committee shall:
- 4.3.1 review the ongoing appropriateness and relevance of the remuneration policy;
- 4.3.2 ensure that all provisions regarding disclosure of remuneration, are fulfilled;
- 4.3.3 ensure that no Director or Executive is involved in any decisions as to their own remuneration.
- 4.4 Without prejudice to the generality of the terms of reference to the Nomination and Remuneration Committees set out above, the Committee shall:
- 4.4.1 operate the Company's share option schemes (if any) or other incentives schemes(if any) as applicable. It shall recommend to the Board the total aggregate amount of any grants to employees(with the specific grants to individuals to be at the discretion of the Board) and make amendments to the terms of such schemes(subject to the provisions of the schemes relating to amendment);

- 4.4.2 liaise with the trustee/custodian of any employees share scheme which is created by the Company for the benefit of employees or Directors and

## **5 Procedure for selection and appointment of the Board of Directors**

### **5.1 Board membership criteria**

The Committee shall review on an annual basis, appropriate skills, characteristics and experience required of the Board as a whole and its individual members. The objective is to have a Board with diverse background and experience in business, government, academics, finance, banking, technology and in areas that are relevant for the Company's operations.

In evaluating the suitability of individual Board members, the Committee shall take into account many factors, including general understanding of the Company's business dynamics and social perspective, educational and professional background and personal achievements.

In addition, Directors must be willing to devote sufficient time and energy in carrying out their duties and responsibilities effectively. They must have the aptitude to critically evaluate management's working as part of a team in an environment of collegiality and trust.

The Committee shall evaluate individual with the objective of having a group that best enables the success of the Company's business.

### **5.2 Selection of Board Members / extending invitation to a potential director to join the Board**

One of the roles of the Committee is to periodically identify competency gaps in the Board, evaluate potential candidates as per the above criteria, ascertain their availability and make suitable recommendations to the Board. The objective is to ensure that the Company's Board is appropriate at all points of time to be able to take decisions commensurate with the size and scale of operations of the Company. The Committee shall also identify suitable candidates in the event of a vacancy being created on the Board on account of retirement, resignation or demise of an existing Board member. Based on the recommendations of the Committee, the Board shall evaluate the candidate(s) and decide on the selection of the appropriate member.

The Board shall then make an invitation (verbal/written) to the new member to join the Board as a Director. On acceptance of the same, the new Director will be appointed by the Board.

## **6 Procedure for selection and appointment of Executives**

- 6.1 The Committee shall actively liaise with the relevant departments of the Company to study the requirement for Executives, and shall prepare a list of the Executive positions to be filled up with relevant job profile;

- 6.2 The Committee shall conduct a wide-ranging search for candidates for filling various positions of Executives from within the Company, within enterprises controlled by the Company or within enterprises in which the Company holds equity, if any, and from the human resources market;
- 6.3 The professional, academic qualifications, professional titles, detailed work experience and all concurrently held positions of the candidates shortlisted shall be compiled;
- 6.4 A meeting of the Committee shall be convened, and the resume of the shortlisted candidates shall be examined with emphasis on the suitability of the shortlisted candidates after giving due consideration to the location and other relevant factors for appointment of the Executive(s);
- 6.5 Before the selection of Executive(s), there commendations alongwith relevant information on the relevant candidate(s) shall be submitted to the Board of Directors for its consideration;
- 6.6 The Committee shall carry out other follow-up tasks based on the decisions and feedback received from the Board of Directors.

## **7 Compensation Structure**

### **(a) Remuneration to Non-Executive Directors:**

The Non-executive Directors of the Company are paid remuneration by way of sitting fees only for attending the meetings of the Board of Directors and its Committees. The sitting fees paid to the Non-executive Directors for attending meetings of Board of Directors and Committees of Board of Directors is as prescribed under the provisions of the Companies Act, 2013. The Non-executive Directors of the Company are not paid any other remuneration or commission.

The sitting fees of the Non-executive Directors for attending meetings of Board of Directors and the Committees of Board of Directors may be modified and implemented from time to time only with the approval of the Board with due compliance to the provisions of Companies Act, 2013.

### **(b) Remuneration to Executive Directors, Key Managerial Personnel(s) (KMPs) & Senior Management Personnel(s) (SMPs):**

The Company has a credible and transparent framework for determining and accounting for the remuneration of the Chairman cum Managing Director /Joint Managing Director/ Whole Time Directors (CMD/JMD/WTDs), Key Managerial Personnel(s) (KMPs) and Senior Management Personnel(s) (SMPs). Their remuneration is governed by the external competitive environment, track record, potential, individual performance and performance of the Company as well as industry standards. The remuneration determined for CMD/JMD/WTDs by the Committee is subject to the approval of the Board of Directors and Shareholders in due compliance of the provisions of Companies Act, 2013. The remuneration for the KMP and the SMP at the time of the appointment has to be

approved by the Board but any subsequent increments shall be approved by the Director / Managing Director of the Company as per the HR policy of the Company.

As a policy, the Executive Directors are neither paid sitting fee nor any commission.

## **8 Approval and publication**

- 8.1 This remuneration policy as framed by the Committee shall be recommended to the Board of Directors for its approval.
- 8.2 The policy shall form part of Director's Report to be issued by the Board of Directors in terms of Companies Act, 2013.

## **9 Supplementary provisions**

- 9.1 The policy would be reviewed every year by the Nomination and Remuneration Committee of the Board of Directors.
- 9.2 This Policy shall formally be implemented from the date on which they are adopted pursuant to a resolution of the Board of Directors.
- 9.3 Any matters not provided for in this Policy shall be handled in accordance with relevant State laws and regulations and the Company's Articles of Association. If this Policy conflict with any laws or regulations subsequently promulgated by the state or with the Company's Articles of Association as amended pursuant to lawful procedure, the relevant state laws and regulations and the Company's Articles of Association shall prevail, and this Policy shall be amended in a timely manner and submitted to the Board of Directors for review and adoption.
- 9.4 The right to interpret this Policy vests in the Board of Directors of the Company.

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