



**Kusumgar Limited**

**NOMINATION & REMUNERATION POLICY**

## 1. LEGAL FRAMEWORK

In accordance with the provisions of Section 178 of the Companies Act, 2013 read with the applicable rules made thereunder and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (together referred to as “**Applicable Laws**”), Nomination & Remuneration Committee of the Board of Directors of the Company is required to recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel and Senior Management. Any subsequent amendment/ modification in the statutory provisions shall automatically apply to this Policy.

## 2. OBJECTIVE

This Policy aims to attract, retain and motivate the Members of the Board of Directors and Key Managerial Personnel and senior management of the Company by remunerating them reasonably and sufficiently to run the Company successfully. The Policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for Stakeholders including Shareholders.

The Nomination and Remuneration Committee shall:

- A. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board a policy relating to the remuneration of directors, key managerial personnel and other employees.
- B. Formulate the criteria for evaluation of performance of independent directors and the board of directors.
- C. Identify persons who are qualified to become directors and persons who may be appointed in key managerial and senior management positions in accordance with the criteria laid down in this policy.
- D. Recommend to the board, appointment and removal of director, key managerial personnel and senior management personnel.
- E. Devise a policy on diversity of board of directors; and
- F. 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.

- G. Ensure that level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.
- H. Ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

### 3. DEFINITIONS

**“Act”** means the Companies Act, 2013 and rules framed thereunder (including any statutory modification(s), amendment(s) or re-enactment(s) thereof, for the time being in force).

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

**“Company”** means Kusumgar Limited.

**“Committee” or “NRC”** means Nomination & Remuneration Committee of Board of Directors of the Company for the time being in force.

**“Director”** Director means Director of the Company appointed in accordance with the Companies Act, 2013.

**“Independent Director”** As provided under the Companies Act, 2013, an Independent Director in relation to a company, means a Director other than a Managing Director or a Whole-Time Director or a Nominee Director,

- (i) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (ii) who is or was not a promoter of the Company or its holding, subsidiary or associate company;
- (iii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- (iv) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (v) none of whose relatives-
  - 1. is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

- Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;
2. is indebted to the company, its holding, subsidiary or associate company or their promoters, or Directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
  3. has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or Directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or
  4. has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);]

(vi) who, neither himself nor any of his relatives—

1. holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;  
[Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.]
2. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
  - i. a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
  - ii. any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
3. holds together with his relatives two percent or more of the total voting power of the Company; or
4. is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(vii) who possesses such other qualifications as may be prescribed.

**“Key Managerial Personnel” or “KMP”** refers to Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013:

- i. The Chief Executive Officer or the Managing Director or the Manager;
- ii. The Company Secretary
- iii. The Whole Time Director
- iv. The Chief Financial Officer
- v. Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board and;
- vi. Such other officer as may be defined under the Act from time to time

**“Listing Regulations”** means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s), amendment(s) or re-enactment(s) thereof, for the time being in force).

**“Senior management”** shall mean the officers and personnel of the issuer 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 the Company Secretary and the Chief Financial Officer.”

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act and Listing Regulations as may be amended from time to time shall have the meaning respectively assigned to them therein.

#### **4. APPLICABILITY**

This Policy applies to the Members of the Board, KMP and Senior Management of the Company.

#### **5. CONSTITUTION OF THE NRC**

The Board has the power to constitute/ re-constitute the Committee from time to time in order to make it consistent with the Company's policy and applicable statutory requirement.

#### **6. GUIDING PRINCIPLES**

The guiding principle of this Policy is that the remuneration and other terms of employment shall be competitive enough to ensure that the Company can attract, retain and motivate right kind of human resource for achieving the desired growth set by the

Company's management year on year thereby creating long-term value for all Stakeholders of the Company.

While designing the remuneration package, efforts are to be made to ensure that the remuneration matches the level in comparable companies, whilst also taking into consideration their required competencies, qualifications, industry experience, effort required and the scope of the work.

The Committee while considering a remuneration package ensure a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The Committee considers that a successful remuneration policy must ensure that a significant part of the remuneration package is linked to the achievement of corporate performance targets and a strong alignment of interest with Stakeholders.

## **7. BOARD DIVERSITY**

- The Committee in their nomination process and while making recommendations to the Board shall endeavour to have an optimum combination of directors from different fields and gender.
- The Committee believes that a diverse and inclusive Board will be able to leverage different skills and perspectives, which is essential for achieving long-term growth and development.
- The criteria for determining qualifications, positive attributes and independence while evaluating a person for appointment /re-appointment as Director, with no discrimination on the grounds of ethnicity, nationality, gender or race or any other such factor.
- While reviewing the composition of the Board, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above.

## **8. APPOINTMENT AND REMOVAL OF DIRECTOR AND KMP**

### **8.1.Appointment criteria and qualifications:**

- a. The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director or KMP and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.

- b. A person to be appointed as Director or KMP should possess adequate qualification, expertise and experience for the position he / she is considered for.
- c. A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
- d. For the purpose of identifying suitable candidates, the Committee may;
  - use the services of an external agencies, if required;
  - consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - consider the time commitments of the candidates.
- e. The Company shall appoint or continue the employment of a person as Managing Director / whole time Director and non-executive Director as prescribed under relevant laws.

## **8.2. Term / Tenure of Directors:**

### **1. Managing Director / Whole-time Director**

The Company shall appoint or re-appoint any person as its Managing Director and CEO or Whole-time Director as per the relevant laws.

### **2. Non-Executive Director**

Non-executive director's office is subject to retirement by rotation at the Annual general meeting in the manner as specified under relevant laws.

### **3. Independent Director**

An Independent Director shall be appointed / re-appointed in the manner as specified under relevant laws.

## **8.3. Removal**

Due to reasons for any disqualification mentioned in the Act and rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of the said Act, rules and regulations.

## **8.4. Retirement**

The Directors and KMP shall retire as per the applicable provisions of the relevant laws. The Board will have the discretion to retain the Directors and KMP in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company, subject to approvals as required under the relevant laws.

### **8.5. Criteria for Evaluation of Independent Directors and the Board**

The Directors including Independent Directors shall be evaluated on the basis of the following criteria 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 members;
- J. strive to attend the Board, Committee and 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; and
- N. abide by Company's memorandum and articles of association, Company's policies and procedures including code of conduct, insider trading guidelines etc.

## **9. BOARD DIVERSITY**

The Board of Directors may have the combination of Directors from the different areas / fields like production, Management, Quality Assurance, Finance, Sales and Marketing, Supply chain, Research and Development, Human Resources etc. or as may be considered appropriate.



## **10. REMUNERATION FOR DIRECTORS AND KMP**

### **8.1 General**

1. The remuneration / compensation / commission etc. to be paid to Directors will be determined by the Committee and recommended to the Board for approval.
2. The remuneration and commission to be paid to the Managing Director/Whole-time Director shall be in accordance with the provisions of the Act, and the rules made thereunder.
3. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the Shareholders in the case of Managing Director/ Whole-time Director.
4. Where any insurance is taken by the Company on behalf of its Directors and KMP for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

### **8.2 Remuneration of Executive Members of the Board:**

The remuneration of Executive Members of the Board shall be paid as per the prevailing laws.

### **8.3 Remuneration of Non-Executive Members of the Board:**

Non-Executive Directors are eligible for sitting fees and profit related commission in addition to reimbursement of expenses for attending the meetings of the Board and its Committees as per prevailing law.

**Sitting Fees:** Non-Executive Directors may receive remuneration by way of fees for attending the meetings of the Board or Committee thereof provided that the amount of such fees shall not exceed rupees one lakh per meeting of the Board or Committee or any such amount as may be prescribed under the Applicable Laws from time to time.

An Independent Director shall not be entitled to any stock option issued or proposed to be issued by the Company.

The performance of the Non-Executive Members of the Board shall be reviewed by the Board on an annual basis.

#### **8.4 Remuneration of Key Managerial Personnel:**

The Company believes that a combination of fixed and performance-linked pay to the Key Managerial Personnel ensure that the Company can attract and retain key employees. At the same time, the Key Managerial Personnel are given an incentive to create Shareholder value through partly incentive-based pay. The Board of Directors sets the terms within the frames of the contracts based on the recommendation of the committee for Key Managerial Personnel.

The committee shall submit proposals concerning the appointment and remuneration of the Key Managerial Personnel and ensures that the remuneration is in line with industry standard in comparable companies. Such proposals then shall be submitted to the Board for approval. The remuneration of the Members of the Key Managerial Personnel may consist of the following components:

- Fixed salary
- Performance linked incentive / bonus
- Stock options, if any.
- Personal benefits, e.g. Company provided accommodation, Company car, telephone, broadband, newspapers, etc., if any.

There shall be no agreed redundancy pay/compensation for voluntary or non-voluntary termination of services except as specially agreed in writing by the Company and the concerned Key Managerial Personnel.

### **11. APPROVAL OF THE REMUNERATION POLICY**

This Policy is approved and adopted by the Board at its meeting held on [●] and shall be of guidance for the Board.

### **12. FREQUENCY OF MEETINGS**

The meeting of the NRC shall be held at such regular intervals as specified under applicable laws.

### **13. NRC 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.

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

#### **14. SECRETARY**

The Company Secretary of the Company shall act as Secretary of the NRC.

#### **15. VOTING**

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.

#### **16. DISSEMINATION**

Information on the total remuneration of Members of the Company's Board of Directors, Key Managerial Personnel may be disclosed in the Company's annual financial statements. The Company's Remuneration Policy shall be published on its website.

#### **17. POLICY REVIEW**

(a) This Policy is framed based on the provisions of the Act and rules thereunder.

(b) In case of any subsequent changes in the provisions of the Act which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

(c) This policy shall be reviewed by the Committee periodically. Any changes or modification to the policy as recommended by the Committee would be placed before the Board of Directors for their approval.

#### **18. PENALTY FOR NON-ADHERENCE OF THE CLAUSES OF THE POLICY**

Non-adherence to any of the Clause as mentioned in this Policy will attract penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of one lakh rupees as prescribed under Section 178 of the Companies Act, 2013, and a

penalty of one lakh rupees which may extend to one crore rupees as prescribed under Section 15 HB of the Securities and Exchanges Board of India Act, 1992.

## **19.INTERPRETATION AND SCOPE**

In case of any conflict between the provisions of this Policy and of the statutory provisions, the statutory provisions shall prevail over this Policy.

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