



Ester Industries Ltd Nomination and Remuneration Policy

INTRODUCTION

In terms of Section 178 of the Act and the applicable provisions of Listing Regulations, this policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management and other employees of the Company has been formulated by the Nomination and Remuneration Committee of the Company.

This policy shall act as a guideline for determining, inter-alia qualification, positive attributes and independence of a Director, matters relating to the remuneration, appointment, and removal of the Directors, Key Managerial Personnel, Senior Management Personnel and other employees.

DEFINITIONS

- **Act** means the Companies Act, 2013 and rules made thereunder.
- **Committee** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board
- **Key Managerial Personnel (KMP)** means -
 - (a) Chief Executive Officer and / or Managing Director
 - (b) Whole-time Director
 - (c) Chief Financial Officer
 - (d) Company Secretary
 - (e) Such other officer as may be prescribed under the Companies Act and rules made thereunder
- **Listing Regulations** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- **Senior management** means officers/ personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include functional heads, by whatever name called and Company Secretary and Chief Financial Officer.

Words and definitions not defined herein, shall have the same meaning as provided in the Act read with relevant rules, provisions of the Listing Regulations or other relevant provisions, as may be applicable.

OBJECTIVE OF THE POLICY

- To formulate the criteria for identification of the persons who are qualified to become directors and who may be appointed in senior management

- To formulate the criteria for determining qualifications, positive attributes and independence of a director
- To lay down a policy for remuneration of the Directors, Key Managerial Personnel, Senior Management Personnel and other employees of the Company;
- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage
- To ensure that the remuneration to directors, key managerial personnel and senior management 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.

This policy is divided into three parts –

1. PART A – Appointment of Director, KMP and Senior Management Personnel
2. PART B – Board Diversity
3. PART C – Remuneration to Director, KMP, Senior Management Personnel and other employees

PART A

Appointment of Director, KMP and Senior Management Personnel

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and KMP and recommend to the Board his / her appointment.

The Committee will ensure that the person should possess adequate qualification, expertise and experience for the position. The Committee will have discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

Appointment of Independent Directors will be subject to the Act read with schedule IV and rules made thereunder.

The Company shall not appoint or continue the employment of any person as Whole Director who has attained the age of seventy years. However term of Whole-time Directorship may be

extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification of such extension.

Human Resource Department of the Company in consultation with Chairman/Managing Director of the Company is empowered to appoint the candidates in the Senior Management in terms of the criteria prescribed herein and report their appointment along with their remuneration details to the Committee and the Board.

The Committee may also identify and recommend to the Board who may be appointed in senior management in accordance with the criteria laid down.

Criteria for determination of positive attributes, independence and qualifications of Directors

While nominating and recommending any person as Director, the Committee members may kept in mind following guiding criteria for determination of positive attributes, independence and qualifications of Directors -

- assessing the appointee against a range of criteria including, but not limited to, qualifications, skills, diverse industry experience, background and other qualities relevant to the business of the Company and required to operate successfully in the position;
- the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
- the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment;
- ability to participate actively in deliberation and group processes;
- act impartially keeping in mind the interest of the company on priority basis;
- personal specification like educational qualification, experience of management in a diverse organization, Interpersonal, communication and representational skills, leadership skills, strategic thinking and facilitation skills, commitment to high standards of ethics, personal integrity;
- while evaluating the candidature of a Director, the Committee will abide by the criteria for determining Independence as stipulated under the Act, Listing Regulations and other provisions of applicable law.
- the Committee will take a broad perspective with respect to Independence and takes into consideration not only the dealings, transactions, relationships with

the concerned Individual Director but also with relatives, entities and organizations affiliated to it.

Criteria for appointment of Senior Management Personnel

The following attributes may be taken into consideration for selecting suitable candidates for appointment as senior management personnel:

- (i) qualifications, skills, industry experience, background and other qualities as may be required to operate successfully in the position
- (ii) ability to contribute towards effectiveness of the organisation as a whole;
- (iii) ability of the appointee to represent the company;
- (iv) ability to work individually as well as part of team of senior management;
- (v) influential communicator with power to convince other in a positive way
- (vi) ability to participate actively in deliberation and group processes;
- (vii) have strategic thinking and facilitation skills;
- (viii) act impartially keeping in mind the interest of the company on priority basis
- (ix) Personal specifications:
 - Educational qualification;
 - Experience of management in a diverse organization;
 - Interpersonal, communication and representational skills;
 - leadership skills;
 - Commitment to high standards of ethics, personal integrity and probity;

REMOVAL AND RETIREMENT

The Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions of the Act and Human Resource policies of the Company.

The Director shall retire as per the applicable provisions of the Act. The retirement of KMP (other than Directors) and Senior Management Personnel will be determined as per the prevailing Human Resource policy of the Company.

PART-B

BOARD DIVERSITY

The Board shall consist of such number of Directors, including at least one woman Director and not less than fifty percent of the Board of Directors comprising non-executive directors, as is necessary to effectively manage the Company of its size.

Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise independent directors and in case the company does not have a regular non-executive Chairman or in case the regular non-executive Chairman is a promoter of the company, at least half of the Board should comprise independent directors.

The Committee will lead the process for Board appointments. All Board appointments will be based on the skills, diverse experience, independence and knowledge which the Board as a whole requires to be effective. The Committee shall seek to address Board vacancies by actively considering candidates that bring a diversity of background and opinion from amongst those candidates with the appropriate background and industry or related expertise and experience. The candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Additionally the Board may consider appointment of experts from various specialized fields such as finance, law, information technology, corporate strategy, marketing and business development, international business, operations management etc. so as to bring diversified skill sets on board or succeed any outgoing director with the same expertise.

PART-C

REMUNERATION TO DIRECTOR, KMP, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

A. Remuneration to Managing Director/Whole-time Director

- **Remuneration**

The Company strives to provide fair compensation to Directors, KMP, Senior Management Personnel and other employee, taking into considerations following factors –

- Industry benchmark,
- Company's' performance vis a vis industry,
- Scope of duties, roles and responsibilities,
- Skill, knowledge , performance/track record,
- Core performance requirements and expectations of individuals
- Legal and industrial Obligations

Managing Director/ Whole-time Director shall be eligible for remuneration as may be approved Shareholders of the Company on the recommendation of the Committee and the Board of Directors.

Except with the approval of the company in general meeting, by a special resolution, the remuneration payable to any one managing director; or whole-time director shall not exceed 5% (five per cent) of the net profits of the company and if there is more than one such director remuneration shall not exceed 10% (ten per cent) of the net profits to all such directors taken together;

The break-up of the pay scale and quantum of allowances, perquisites including, employer's contribution to P.F, pension scheme, medical expenses, car & driver facility etc. shall be decided and approved by the Board on the recommendation of the Committee. The remuneration may also be paid in the form of Profit linked Commission but with the overall limits as stated above.

- **Minimum Remuneration**

Subject to the provisions of Schedule V of Companies Act, 2013, if, in any financial year, a company has no profits or its profits are inadequate, the company shall not pay to its directors, including any managing or whole-time director or manager, by way of remuneration any sum exclusive of sitting fees except in accordance with the provisions of Schedule V

- **Provisions for excess remuneration**

If any director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit prescribed under the Act or without approval required under the Act, the Director shall refund such sums to the company, within two years or such lesser period as may be allowed by the company, and until such sum is refunded, hold it in trust for the company.

The Board of Directors may waive the recovery of any sum refundable to it as above subject to the approval of shareholder by Special Resolution within two years from the date the sum becomes refundable in compliance with the Act.

B. Remuneration to Non-Executive and Independent Director

- **Sitting Fees**

The Non-executive and Independent Directors of the Company shall be paid sitting fees as approved by the Board in terms of the provisions of the Act and no sitting fee is paid to Non-executive Non Independent Directors.

- **Reimbursement of expenses**

The directors may be paid all travelling, hotel and other expenses properly incurred by them –

- a) for attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the Company; or
- b) in connection with the business of the company.

- **Profit-linked Commission**

The profit-linked Commission shall be paid within the monetary limit approved by the shareholders of the Company subject to the same not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Regulations. The quantum of the commission may be recommended by the Committee on year to year basis based on the profitability of the Company and on the basis of the recommendation made by committee, the Board may decide to pay commission to the directors.

- **Stock Options**

Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company.

C. Remuneration to KMP, Senior Management, other Employees

Apart from the Directors, remuneration along with revision/ increment of all other KMP, Senior Management Personnel of the Company shall be determined as per the recommendation of Nomination and Remuneration Committee.

Remuneration along with annual increment of all other employees may be determined by HR department in consultation with Managing Director/Whole-time Directors of the Company.

The remuneration and increment thereof should be in line with company's philosophy to provide fair compensation to employees based on their experience, roles and responsibilities, performance track record, legal obligation, industry benchmark, job complexity etc.

The various remuneration components such as basic salary, allowances, perquisites, incentives etc. may be combined to ensure an appropriate and balance remuneration package. There should be 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 Incentive pay, if any, of Senior Management Personnel and Key Managerial Personnel other than Executive Directors shall be determined as per the recommendation of the Nomination and Remuneration Committee considering the balance between performance of the Company and performance of the Key Managerial Personnel, Senior Management Personnel.

In case of other employee, the Incentive pay, if any, shall be decided by the HR department in consultation with Managing Director/Whole-time Directors of the Company and considering the balance between performance of the Company and performance of the other employee.

The Committee may recommend to the Board a policy for granting Stock options to KMP, Senior Management Personnel and other employees in line with the provisions of the Act, SEBI regulation and the provision of any other applicable laws.

This Remuneration Policy shall apply to all existing and future employees of the Company.

REVIEW AND AMENDMENT

The Policy may be reviewed by the Nomination and Remuneration Committee on need basis. The Committee may amend the policy due to change in law or as may be felt appropriate by the Committee and will recommend the changes in policy to the Board.

In case of any amendment, changes in the Act, Listing Regulations or any other law which makes any of the provisions in the policy inconsistent with their provisions then the provisions of the Listing Regulations or such law would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.