

Suguna Foods Limited

Nomination and Remuneration Policy

1. Introduction:

This policy on Nomination and Remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Committee.

Objectives of the Committee:

The Committee shall:

- i. 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 Senior Management Personnel.
- ii. Selecting, advising and compensating and overseeing succession planning
- iii. Providing counsel, oversight on the selection ,evaluation and development of compensation of senior management
- iv. Monitoring corporate performance against strategic business plans in line with Balanced score card on a regular basis to evaluate whether business is being properly guided.
- v. Formulation of criteria for evaluation of Independent Director and the Board
- vi. Devising a policy on Board diversity.
- vii. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- viii. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

1.1. Effective Date:

The following policy has been formulated by the Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on 24.09.2014. This policy shall be operational with immediate effect.

1.2. Definitions:

1.2.1. Directors' means Directors of the Company

1.2.2. 'Independent Director' means a director referred to in Section 149 (6) of the Companies Act, 2013

1.2.3. '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

1.2.4 Senior Management Personnel – Vice Presidents

1.2.5 'Senior Management Personnel' for this purpose shall mean employees of the company who are members of its core management team excluding Board of Directors. It would comprise all members of management one level below the executive director(s), including the functional / vertical heads.

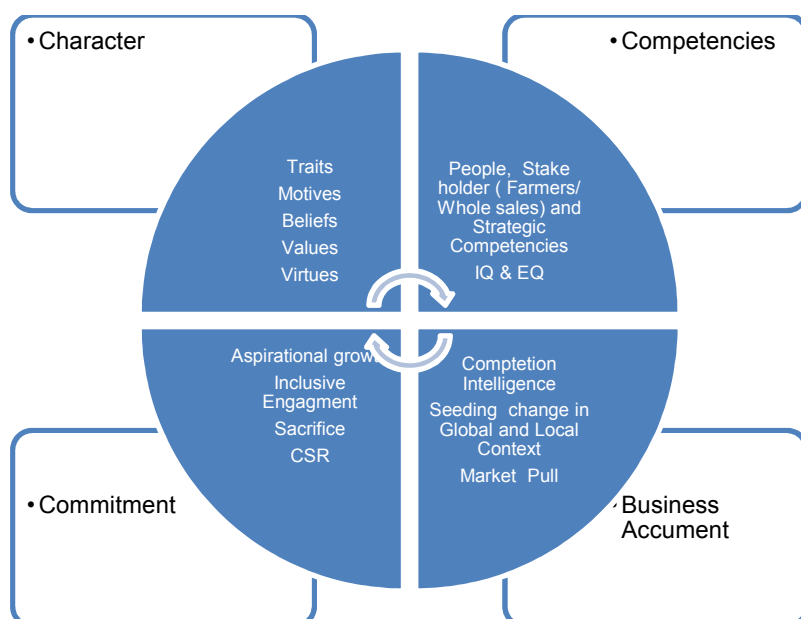
2. Applicability:-

The Policy is applicable to

- Directors (Executive and Non Executive)
- Key Managerial Personnel
- Senior Management Personnel (Vice Presidents)

3. Roles and responsibilities

- 3.1. Identify candidates qualified, acceptable to the Board of Directors for Directorship, Key Managerial Personnel and Senior Management Personnel in the Company.
- 3.2. Create the right frame for selection of the Senior personnel on the following frame



- 3.3. Recommend Appointment/ removal of Directors to the Board of Directors, Key Managerial personnel and Senior Management Personnel.
- 3.4. Review the suitability of performance measurement criteria for the Directors.
- 3.5. Review the performance of directors every year.
- 3.6. Recommend policies for Remuneration, appointment of Directors and Performance evaluation to the Board of Directors.
- 3.7. Produce an annual report on the agreed remuneration, performance evaluation and appointment of Director.
- 3.8. The committee members shall consider the specific discussions related to potential nominees to be confidential. Committee members are prohibited from disclosing potential and final nominees to the membership.
- 3.9. Copies of all committee action notes, minutes and final correspondence to potential nominees shall be forwarded to and retained with the chairman of the committee.

4. Appointment of Directors \Key Managerial Personnel and Senior Management Personnel

Appointment of Directors shall be effected through an appointment order

5. Eligibility for Directorship

- 5.1. For appointment of Directors age should not be more than 65 years.
- 5.2. The person to be inducted into the Board should be competent with experience of 15 years or more.
- 5.3. An Executive Director shall not hold office as Executive Director in more than one company except in its subsidiary company at the same time. But he/she can be appointed as Non-Executive Director in any other company.

6. No person shall be appointed as Director if:

- 6.1. If he is disqualified to act as Director as per provisions of Companies Act, 2013.
- 6.2. If there are any pending or commenced or resulting in conviction in the past or in future against the director/ or against any of the entities in which the Directors are interested for violation of economic laws and regulations in India.
- 6.3. If there are any criminal prosecution resulting in conviction in the last preceding 5 years against the Director.

- 6.4. If the person at any time been found guilty of violation of rules/ regulations/ legislative requirements by customs/ excise/ income tax/ foreign exchange/ other revenue authorities.
- 6.5. If the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA.
- 6.6. He is convicted of an offence involving moral turpitude and sentenced to imprisonment under all the statutory acts applicable in host country and overseas for not less than six months, and a period of 5 years has not elapsed from the date of expiry of the sentence.
- 6.7. An order disqualifying him for appointment as director has been passed by the court.

7. Other conditions for Directorship in the Company

- 7.1. Any independent director appointed should not be director in more than 10 Companies.
- 7.2. He should not be a Director in competing businesses in India and overseas during his term as director of the Company.
- 7.3. A Director should not hold any place of profit or hold directorship in any competing companies in India or overseas for a minimum period of 3 years from the date of cessation from directorship.
- 7.4. The maximum tenure for an independent Director shall not be more than 5 years subject to extension of 5 additional years with the prior approval of the Board of Directors and shareholders.

8. Remuneration policy for Key Managerial Personnel and one level below

8.1. Remuneration slabs and applicability

- 8.1.1. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down as per the provisions of the Companies Act, 2013, and the rules made there under.
- 8.1.2. Where any insurance is taken by the Company on behalf of its Key Managerial Personnel and Senior Management Personnel 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 to Managing Director, Whole-time Director, CFO, Company Secretary and Key employees:

8.2.1 Fixed pay:

- The Managing Director/ Whole-time Director / Chief Financial Officer and Company Secretary and key employees shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.
- The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Shareholders, wherever required.

8.2.2. Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director/Whole-time Director in accordance with the provisions enumerated under the Companies Act, 2013.

8.2.3. Provisions for excess remuneration:

If any Managing Director/ Whole time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the shareholders, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Shareholders.

8.2.4. Remuneration to Non- Executive / Independent Director:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Companies Act, 2013 and the rules made there under.

8.2.5. Sitting Fees:

The Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. The details provided below:

Sl.No	Type of Committees	Maximum Remuneration
1	Board	Rs. 40,000/- per meeting excluding travel and lodging expenses.
2	Audit	Rs. 20,000/- per meeting excluding travel and lodging expenses.
3	Finance	Rs. 5,000/- per meeting excluding travel and lodging expenses
4	Nomination and remuneration committee	Rs. 10,000/- per meeting excluding travel and lodging expenses
5	CSR committee	Rs. 10,000/- per meeting excluding travel and lodging expenses

6	Business Advisory Committee	Rs. 40,000/- per meeting excluding travel and lodging expenses.
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Note:

The sitting fees may be paid only for meetings held in physical mode.

Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

9. Performance evaluation policy for Board of Directors

9.1. Parameters for Evaluation

Board evaluation is shall be based on the following parameters:

9.1.1. People factors

9.1.2. Process factors

9.1.1. People factors shall be measured using following broad factors:

- How does the Board of Directors work as a team?
- What are their interpersonal skills?
- How effective is the relationship among independent directors.
- Is the chairman an effective leader?
- Do all directors contribute to the strategic decisions?
- What is the level of commitment?
- Is the board robust in taking and sticking to difficult decision?
- Is there complete consensus among all the board members when a decision is taken?
- Does the board take account of shareholders' views?

9.1.2. Process Factors are more specific on issues such as:

- Board's contribution to ensuring robust and effective risk management.
- Whether the composition of the board and its committees appropriate with the right mix of knowledge and skills sufficient to maximise performance in the light of future strategy.
- How has the board responded to any problems or crises that have emerged and could or should they have been foreseen.

- Is the board as a whole up to date with latest developments in the regulatory environment and the market?

10. Meetings

- 10.1. Nomination and remuneration committee shall conduct a periodic review to take note of how the performance of the Board, committees and individual directors are progressing, evaluate whether the composition of Board and committees have the right set of skills to tackle the challenges ahead, does it have the relevant information needed, is it deploying the most appropriate processes in order to address the pivotal issues, make decisions and has it achieved the desired results.
- 10.2. The Nomination and remuneration committee shall meet whenever required
- 10.3. The decision to be taken by the Committee members may be taken by way of a Circular Resolution wherever it is not possible to have meeting of the Committee members.

11. Performance Evaluation method

11.1. Board of Directors

At the Board Level, the evaluation can be based a Questioner developed in house or through external agencies. Each of the Directors' views can be gathered covering the following areas:

1. The mix of skills, experience, knowledge and diversity on the board in the context of the challenges facing the company.
2. Clarity of and leadership given to, the purpose, direction and values of the company.
3. How the board works together as a unit and the tone set by the chairman and the Managing Director.
4. Effectiveness of individual non-executive and executive directors.
5. Effectiveness of board committees and how they are connected with the main board.
6. Quality of the general information provided on the company and its performance.
7. Quality of papers and presentations to the board.
8. Quality of discussions around individual proposals

The Nomination and remuneration committee shall in addition to use of structured questionnaire supplement by a dialogue with the information provider, seeking feedback from executive management who interact with the board regularly, the external advisers, Shareholders for more holistic view of the Performance.

11.2. Committees

1. Evaluating the effectiveness of the committee is crucial as the Committees are delegated with higher responsibility of evaluating the business financially and in the governance front and present the report to for the consideration to the board. There can be similar questioners for evaluating the Committees performance as Board's.
2. The board members shall be given an opportunity to provide observations and suggestions to the committee as part of its evaluation process. This is because, even though an issue may be delegated to a board committee, the committee's role is to make a recommendation to the board, with the board owning the eventual decision.

11.3. Individual Director

Peer evaluation method shall be adopted for evaluating individual directors.

12. Post Evaluation

Post evaluation of the evaluation is as important and critical for successful evaluation of the board and there has to be transparent methodology for communicating the finding to the board, committees and individual directors.

There would be following aspects/ documents involved in post evaluation:

- 12.1. A summary report and analysis of the findings highlighting the degree of board effectiveness in each area examined, noting areas of effectiveness as well as areas of concern
- 12.2. Submission of the reports to each director and place for the board's discussion the findings as high priority item with sufficient time allocated.
- 12.3. Agree on and approve an action plan to address areas of improvement for each director or to the whole board process for improving the effectiveness.
- 12.4. Assign responsibility to an Independent director who could monitor the process of improvement and report to the board.
- 12.5. Incorporation of achievement objectives into the next board. Committee and individual director's evaluation to make it a dynamic, continuous improvement process.

13. Board Performance Evaluation Tool

This simple tool is designed to assist in assessing the effectiveness of the board. The tool takes the form of a series of assertions which should be awarded a rating on a scale of 1 to 3 by individual directors or by the board as a whole. Once complete, the matters should be discussed at a board meeting. Discussions facilitated by a third party are often able to bring additional value to the process.

1 = Hardly ever/Below average, 2 = Average/Most of the time/Above average, 3 = All of the time/Fully satisfactory.

Behaviors	1	2	3	Comments
<p><i>Setting strategy</i></p> <p>All Board members support and debate the organization's strategy and values, enabling them to set the tone from the top.</p>				
<p><i>Strategy</i></p> <p>All Board members have a clear understanding of the organization's core business, its strategic direction and the financial and human resources necessary to meet its objectives.</p>				
<p><i>Board performance</i></p> <p>The Board sets itself objectives and measures its performance against them on an annual basis.</p>				
<p><i>Managing Board meetings and discussions</i></p> <p>Board meetings encourage a high quality of debate with robust and probing discussions.</p>				
<p><i>Managing internal Board relationships</i></p> <p>Board members make decisions objectively and collaboratively in the best interests of the organization and feel collectively responsible for achieving organizational success.</p>				
<p><i>Managing the Board's relationship with others</i></p> <p>The Board communicates effectively with all of the organization's stakeholders and seeks their feedback.</p>				
<p><i>Board members' own skills</i></p> <p>Board members recognize the role which they and each of their colleagues is expected to play and have the appropriate skills and experience for that role.</p>				
<p><i>Reaction to events</i></p> <p>The Board responds positively and constructively to events in order to enable effective decisions and</p>				

implementation and to encourage transparency.				
<p><i>Chairman</i></p> <p>The chairman's leadership style and tone promotes effective decision-making, constructive debate and ensures that the Board works as a team.</p>				
<p><i>Chairman and CEO relationship</i></p> <p>The chairman and the chief executive work well together and their different skills and experience complement each other.</p>				
<p><i>Attendance and contribution at meetings</i></p> <p>All Board members attend and actively contribute at meetings.</p>				
<p><i>Open channels of communication</i></p> <p>The Board has open channels of communication with executive management and others and is properly briefed.</p>				
<p><i>Risk and control frameworks</i></p> <p>The Board's approach to reviewing risk in the organization is open and questioning, and looks to learning points from events, rather than blame.</p>				

Processes	1	2	3	Comments
<p><i>Composition</i></p> <p>The Board is the right size and has the best mix of skills to ensure its optimum effectiveness.</p>				
<p><i>Terms of reference</i></p> <p>The terms of reference for the Board are appropriate, with clearly defined roles and Responsibilities, ensuring that the right issues are being addressed.</p>				
<i>Committees of the Board</i>				

<p>The Board's committees are properly constituted, perform their delegated roles and report back clearly and fully to the Board.</p>				
<p><i>Company secretary</i></p> <p>The company secretary acts as an appropriate conduit for the provision of information to the Board and support to the chairman and directors.</p>				
<p><i>Meetings and administration</i></p> <p>The Board meets sufficiently often, and with information of appropriate quality and detail, such that agenda items can be properly covered in the time allocated.</p>				
<p><i>Timeliness of information</i></p> <p>Information is received in sufficient time to allow for proper consideration, with scope for additional briefing if necessary.</p>				
<p><i>Agenda items</i></p> <p>The Board agenda cycle covers all matters of importance to the organization, is prioritized and includes consideration of corporate reputation, its enhancement and the risks surrounding it.</p>				
<p><i>Annual General Meeting</i></p> <p>The company makes best use of its Annual General Meeting.</p>				
<p><i>External stakeholders</i></p> <p>The Board has defined its external stakeholders and ensures that the organization has the right level of contact with them.</p>				
<p><i>Risk management</i></p> <p>The Board uses an active and well-structured process to manage risk, taking account of the organization's activities and the breadth of functions across the business.</p>				

<p><i>Induction and training</i></p> <p>Board members receive proper induction on appointment and ongoing training is available to meet development needs.</p>				
<p><i>Succession planning</i></p> <p>There is appropriate succession planning for key Board members and senior Executives.</p>				
<p><i>Performance evaluation</i></p> <p>Board members are individually subject to an annual performance evaluation that measures their contribution and commitment.</p>				

14. Succession Planning

A planned Program of recruitment and retirement amongst Board members and Senior Management Members is of paramount importance as Business needs sustenance, growth and consolidation, it is also important that talent pipe line is maintained, sustained and succession planned either internal growth or lateral entrants should be planned five years in advance for every senior role. The committee should ensure management development and succession planning for business continuity and growth with adequate knowledge management processes.

15. Amendments to the Policy

The Board of Directors on its own and / or as per the recommendations of Nomination and Remuneration Committee can amend this Policy, as and when deemed fit.