

KENT R O SYSTEMS LTD

NOMINATION AND REMUNERATION POLICY

Revision History

Date	Author	Section	Change Description	Reason for Change	Version
8 th Jan 2025	PK Trivedi	Complete Policy	New policy drafted	NA	v1.0

PK Trivedi

INTRODUCTION

The **Nomination and Remuneration Policy** ("Policy") of **KENT R O SYSTEMS LIMITED** ("Company") is formulated in compliance with the provisions of the **Companies Act, 2013**, and other applicable rules and regulations. This Policy provides a framework for identifying and evaluating individuals qualified to serve as Directors, Key Managerial Personnel (KMP), and Senior Management. It also sets out criteria for determining their remuneration, appointment, and removal and includes the management and oversight of the Company's **Employee Stock Option Plan (ESOP)**.

OBJECTIVES AND PURPOSE

The objectives of this Policy are:

1. To formulate criteria for determining the qualifications, competencies, positive attributes, and independence required for appointment as a Director (executive, non-executive, or independent).
2. To recommend candidates for appointment as Directors, KMP, and Senior Management.
3. To establish and periodically review succession plans for the Board, KMP, and Senior Management to ensure continuity.
4. To recommend policies for the appointment, removal, and remuneration of Directors, KMP, Senior Management, and other employees.
5. Ensuring 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 and the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
6. To manage, supervise, and monitor the Company's Employee Stock Option Plan (ESOP), including granting and exercising of stock options.
7. To ensure remuneration is aligned with industry standards, the Company's financial health, and legal requirements.
8. To ensure that remuneration to Directors, KMP 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.
9. To evaluate and recommend the compensation of executive Directors in light of corporate goals and performance.

DEFINITIONS

- **"Act"**: The Companies Act, 2013, and the rules framed thereunder, as amended from time to time.
- **"Board"**: The Board of Directors of the Company.
- **"Committee"**: The Nomination and Remuneration Committee of the Board.
- **"Key Managerial Personnel (KMP)"**: As per Section 2(51) of the Companies Act, 2013, KMP includes:
 1. Chairman and Managing Director.
 2. Joint Managing Director.
 3. Chief Financial Officer (CFO) and Joint CFOs.
 4. Company Secretary.
 5. Any other officer designated by the Board as a KMP.
- **"Senior Management"**: The officers and personnel of the Company 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 Managing Director and shall specifically include the functional heads, by whatever name called and the Company



Secretary and the Chief Financial Officer..

- "Employee Stock Option Plan (ESOP)": A plan approved by the shareholders under which employees and Directors may be granted options to acquire shares of the Company.

COMMITTEE COMPOSITION AND MEETINGS

1. Composition

- The Committee shall comprise at least three non-executive Directors, with at least two-thirds% being Independent Directors.
- The Chairperson of the Committee shall be an Independent Director.

2. Terms of Reference

- The Committee's terms shall continue unless terminated or modified by the Board.

3. Meetings

- The Committee shall meet at least once in a year, with minutes of such meetings recorded appropriately.
- The Chairperson may attend the Annual General Meeting to answer shareholders' queries.
- The quorum for a meeting shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.

4. Invitees

- The Committee may invite executives, as deemed necessary, to provide insights during meetings.

KEY RESPONSIBILITIES OF THE COMMITTEE



1. Management of ESOP Plans

- Administer and oversee the Company's Employee Stock Option Plan (ESOP).
- Approve the granting of stock options to eligible employees and Directors in compliance with applicable laws and the ESOP plan.
- Monitor the process of exercising stock options and ensure compliance with the approved plan.
- Review and make recommendations to the Board on amendments to the ESOP plan as needed.
- Ensure ESOP benefits are aligned with the Company's compensation strategy and motivate employees to drive long-term growth.

2. Size and Composition of the Board

- Periodically review the Board's size and composition to maintain an appropriate mix of executive and independent Directors.
- Ensure the Board is structured to make informed decisions with diverse perspectives and skills. Further, the Committee shall devise a policy on diversity of the Board of Directors.

3. Appointment of Directors

- Formulate criteria for identifying suitable candidates based on qualifications, integrity, expertise, and experience.
- Recommend candidates for Board approval when a new Director is to be appointed.

4. Succession Planning

- Develop and review succession plans for the Board, KMP, and Senior Management to ensure continuity of leadership.

5. Remuneration Framework

- Recommend to the Board:
 - Remuneration policies for Directors, KMP, and Senior Management, balancing fixed and incentive pay and reflecting short and long-term performance objectives appropriate to the working of the company and its goals. Such policies must 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.
 - Annual remuneration of executive Directors, including severance packages (if any).
 - Compensation policies aligned with industry standards and the Company's strategic goals.

APPOINTMENT AND REMOVAL POLICY

Appointment Criteria

1. Candidates must meet the requisite qualifications and demonstrate expertise in their respective fields.
2. The Committee shall evaluate whether the candidate possesses the skills and experience required for the position.

Tenure

1. **Executive Directors:** The Managing Director or Whole-Time Director may be appointed for a term not exceeding five years.
2. **Independent Directors:** Independent Directors may serve up to two consecutive terms of five years each. A cooling-off period of three years is required before reappointment.

Removal

- A Director, KMP, or Senior Management member may be removed on grounds of disqualification under the Companies Act, 2013, or for any other reasons in accordance with applicable law and recorded in writing by the Committee and approved by the Board.

Retirement

- Retirements shall align with the Company's internal policies and applicable provisions of the Companies Act, 2013.

REMUNERATION POLICY



1. General Guidelines

1. All remuneration, including fixed and incentive pay, shall be recommended by the Committee to the Board for approval.
2. Compensation shall be commensurate to the individual's performance and align with industry benchmarks, the Company's performance, and legal limits.

2. Remuneration for Non-Executive and Independent Directors

- Non-Executive Directors shall receive sitting fees, commissions, and reimbursement of expenses. Independent Directors shall not receive stock options.

3. Remuneration for Employees, KMP and Senior Management

- The Company shall follow its internal compensation policy, subject to periodic review by the Committee and the Managing Directors.

PERFORMANCE EVALUATION

The Committee shall annually evaluate the performance of the **Board, Committees, and Individual Directors** based on the criteria outlined below:

Evaluation of Board of Directors

Criteria	Rating (Poor/Average/Good/Outstanding)
Board Composition and Diversity	
Adherence to Governance and Regulatory Standards	
Strategic Oversight and Risk Management	

Evaluation of Committees

Criteria	Rating (Poor/Average/Good/Outstanding)
Proper Constitution of Committees	
Fulfillment of Assigned Functions	

Evaluation of Individual Directors

Criteria	Rating (Poor/Average/Good/Outstanding)
Knowledge, Experience, and Competence	
Availability and Commitment	

DISCLOSURE AND AMENDMENTS

This Policy, including the management of ESOPs, shall be disclosed on the Company's website and in the Annual Report. Amendments must be approved by the Board and disclosed as required under applicable regulations.


