



Committed to Excellence

SAMBANDAM SPINNING MILLS LIMITED

NOMINATION AND REMUNERATION POLICY

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NOMINATION AND REMUNERATION POLICY

Preamble

This Nomination and Remuneration Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 of the Listing Agreement, as amended from time to time. This policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel (SMP) formulated by the Nomination and Remuneration Committee (hereinafter called NRC or the Committee) has been approved by the Board of Directors of the Company.

1. OBJECTIVE

- 1.1. The Nomination and Remuneration Policy provides the framework for nomination and remuneration of members of the Board of Directors, KMP & SMP of the Company.
- 1.2. The Policy formalizes the existing Remuneration practices in the Company in compliance with the letter and spirit of corporate governance as envisaged by the changes in Company Law in recent times.
- 1.3. This Policy is guided by the principles and objectives as enumerated in Section 178 of the Companies Act, 2013 in respect of reasonableness and sufficiency of remuneration to attract talent and make provision for reward linked directly to the effort, performance, dedication and achievement relating to the Company's operations.

2. COMPOSITION, ROLE & FUNCTIONS OF THE COMMITTEE

2.1. Composition of the Committee :

The Committee shall comprise three independent directors and the senior most among them shall be Chairman of the Committee.

2.2. Role of the NRC generally include the following:

- 2.2.1. To formulate criteria for determining qualifications, positive attributes and independence of a Director.
- 2.2.2. To formulate criteria for evaluation of all the Directors and the board.

2.2.3. To identify persons who are qualified to become Directors and who may be appointed in Senior Management position in accordance with the criteria laid down in this policy.

2.2.4. To carry out evaluation of Director's performance.

2.2.5. To recommend to the Board for appointment or removal of Directors, KMP and SMP.

2.2.6. To recommend to the Board policy relating to remuneration for Directors, KMP and SMP.

2.2.7. To devise a policy on Board diversity, composition and size.

2.3. Functions of the Committee

2.3.1. The Committee shall carry out evaluation of performance of Directors, KMP and SMP yearly or at such intervals as considered necessary.

2.3.2. The Committee may recommend to the Board to retain any Director, KMP or SMP even after attaining the retirement age, for the benefit of the Company.

2.3.3. The Committee may recommend to the Board with reasons recorded in writing for removal of a Director, KMP or SMP subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

2.3.4. Succession planning for replacing Key Executives and reviewing the plan.

2.3.5. Any other function as may be mandated by the Board and also enforced by any statutory notification, amendment or modification, as may be applicable from time to time and such other functions as may be considered necessary or appropriate for the performance of its duties.

3. FREQUENCY OF MEETINGS

Meetings of the Committee shall be held at such intervals as may be required.

4. COMMITTEE MEMBERS' INTERESTS

- 4.1. A member of the Committee shall not be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- 4.2. The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

5. SECRETARY

Secretary of the Company shall act as the Secretary of the Committee.

6. VOTING

- 6.1. Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed to be the decision of the Committee.
- 6.2. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

7. NOMINATION DUTIES

Duties of the Committee in relation to nomination matters include:

- 7.1. Ensuring that there is an appropriate induction system in place for new Directors, KMP & SMP;
- 7.2. Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided in the Act;
- 7.3. Identifying and recommending persons for appointing them in the vacancy caused by the resignation of a director, KMP or SMP.
- 7.4. Determining the appropriate size, diversity and composition of the Board;
- 7.5. Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- 7.6. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

- 7.7. Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- 7.8. Making recommendations to the Board concerning any matter relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provisions of the law and their service contract.
- 7.9. Delegating any of its powers to one or more members of the Committee;
- 7.10. Recommend necessary changes to the Board; and
- 7.11. Consider any other matters, as may be requested by the Board.

8. REMUNERATION DUTIES

Duties of the Committee in relation to remuneration matters include:

- 8.1. Consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract, retain and motivate the members of the Board, KMP and SMP of the Company.
- 8.2. Approve the remuneration of the KMP or SMP of the Company maintaining a balance between fixed pay and incentive pay reflecting short term and long term performance objectives appropriate to the working of the Company.
- 8.3. Delegate any of its powers to one or more members of the Committee.
- 8.4. Consider any other matter as may be referred by the Board.
- 8.5. Professional indemnity and liability insurance for Directors, KMP and SMP of the Company.

9. General Reward Principles

- 9.1. Remuneration of Executive Directors
 - 9.1.1. Company's Remuneration Policy aims at providing a performance driven and market oriented framework for reward;
 - 9.1.2. Ensure that the Company attracts, retains and motivates high quality executive talent to achieve the Company's short-term and long-term goals, align the interests of

employees, shareholders and other stakeholders in accordance with the Company's values and beliefs ;

9.2. Remuneration of Non-Executive Directors ('NEDs');

9.2.1. 'NEDs' are paid remuneration by way of Sitting Fees.

9.2.2. Payment of Sitting Fees to NEDs is on the basis of their attendance at the Board Meeting, Audit Committee Meeting, and the Nomination and Remuneration Committee Meeting.

9.2.3. Sitting fees payable to the NEDs for attending the Board Meeting and Committee meeting is fixed based on the practice prevailing among the Companies of similar size. While the sitting fees payable for attending the meetings of the Audit Committee is higher, the sitting fees payable for attending the meetings of the Nomination and Remuneration Committee is on a par with that of the Board meeting. However, there is no fee for attending the meetings of the other Committees such as Finance Committee, Stakeholders Relationship Committee, Share Transfer Committee and the 'CSR' Committee.

9.3. Remuneration to Key Management Personnel / Senior Executives

9.3.1. Total compensation for Key Management Personnel / Senior Executives consists of:

- ❖ fixed compensation
- ❖ variable compensation in the form of annual incentive
- ❖ benefits
- ❖ work related facilities and perquisites

9.3.2. Fixed compensation is determined on the basis of size and scope of the job typically as reflected by the level or grade of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation is in the form of Salary including all allowances.

9.3.3. The Annual Incentive (Bonus) of senior executives is linked directly to the performance of the Mills and the Company through a Balanced Score Card in accordance with the Employees Incentive Scheme of the Company. The Balanced Score Card comprises goals under four perspectives – Financial, Customer, Internal Process and Learning and Growth Perspective. The objective is to

reward current performance as reflected in the financial perspective as well as to focus on initiatives to secure the long term health of the Company as encapsulated in the other three Perspectives.

9.3.4. Benefits for senior executives include:

9.3.4.1. Health-Related:

9.3.4.2. Health (hospitalization) insurance

9.3.4.3. Accident and Life insurance

9.3.4.4. Retirement-Related:

9.3.4.5. Contribution to a Superannuation Fund (in addition to statutory benefits such as Provident Fund, Gratuity etc).

9.3.5. KMP & SMP are eligible for work related facilities and perquisites such as mobile phone, Company owned and maintained car, hard furniture, consumer durables, etc. Extent of these facilities are based on the Grade of the executive.

9.3.6. A formal annual performance management process is applicable to all employees, including senior executives. Annual increases in fixed and variable compensation of individual executives are directly linked to the performance ratings of individual executives.

9.3.7. Overall compensation is subject to periodic reviews which take into account data from compensation surveys, as well as factors such as affordability based on the Company's performance and the economic environment.

9.3.8. Executives are eligible for severance payments in accordance with the termination clause in their employment agreement.

10. Adoption, Changes and Disclosure of Information

10.1. This Nomination and Remuneration Policy is approved by the Board of Directors based on the recommendation of the NRC.

10.2. The policy will be reviewed at such intervals as the Board or the NRC deems it necessary.

10.3. The Company's Annual report will include a summary of the Nomination and Remuneration Policy as well as a statement on compliance with this Policy.

10.4. Information on the total remuneration on an individual basis for members of the Company's Board of Directors and in the aggregate for Key Management Personnel and Senior Executives may be disclosed in the Company's Annual financial statements / Annual report, in the manner required under the relevant statutes.

10.5. The Nomination and Remuneration Policy is uploaded on the Company's website for the benefit of the stakeholders.

