



NACL Industries Limited

Nomination and Remuneration Policy

*(As Amended vide the resolution passed by the Board of Directors in its meeting
held on 04th February, 2021)*

1) Introduction:

The Nomination & Remuneration Policy of NACL Industries Limited (“**NACL**” or “**Company**”) is formulated in terms of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (“**Listing Regulations**”).

The Policy is intended to set out criteria on matters relating to Nomination and Remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel.

2) Definitions:

- a) “Act” means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- b) “Board” means the Board of Directors of the Company
- c) “Company” means the “NACL Industries Limited.”
- d) “Committee” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.
- e) “Directors” mean the Directors of the Company.
- f) “Independent Director” means a Director as defined under Section 149(6) of the Companies Act, 2013 and /or under Regulation 16 of the Listing Regulations.
- g) “Key Managerial Personnel”(KMP) means
 - i) Chief Executive Officer or the Managing Director or the Manager.
 - ii) Whole-time Director.
 - iii) Chief Financial Officer,
 - iv) Company Secretary; and
 - v) Such other officer as may be prescribed.
- h) “Nomination and Remuneration Committee” shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and applicable the Listing Regulations.
- i) “Policy or This Policy” means “Nomination and Remuneration Policy.

- j) “Senior Managerial Personnel” (SMP) mean personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Executive Directors.

3) Interpretation:

The terms that have not been defined in this policy shall have the same meaning assigned to them in the Companies Act, 2013, Listing Regulations and / or any other Rules/ Regulation(s) as amended from time to time.

4) Effective Date:

The following policy has been formulated by the Nomination and Remuneration Committee, and adopted by the Board of Directors. This policy shall be operational with effect from 01st October, 2014.

5) Applicability:

This Policy is applicable to

- a) Directors (Executive and Non-Executive)
- b) Key Managerial Personnel (KMP)
- c) Senior Management Personnel (SMP)

6) Objective and Purpose:

- a) To lay down the criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive including Independent directors), Key Managerial Personnel (“KMP”) and persons who may be appointed in senior management positions.
- b) To determine remuneration based on the Company’s size and financial position and trends and practices on remuneration prevailing in peer companies.
- c) To carry out evaluation of the performance of Directors.
- d) To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.

- e) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

7) Constitution of the Nomination And Remuneration Committee:

The Board has the power to reconstitute the Committee from time to time in order to make it consistent with the Company's policy and applicable statutory requirement. The composition of the Committee shall be in accordance with the requirement of the Act and Listing Regulations.

The Board has authority to reconstitute this Committee from time to time. The Company Secretary of the Company shall act as Secretary of the Committee.

8) Role of Nomination and Remuneration Committee:

The Committee shall:

- a) guide the Board in relation to the appointment and changes in Directors and Key Managerial Personnel;
- b) formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- c) identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Managerial positions in accordance with the criteria laid down in this policy.
- d) devise a policy on Board diversity;
- e) recommend to the Board, appointment and removal of Director, Key Managerial Personnel and Senior Managerial Personnel;
- f) specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
- g) recommend to the Board remuneration payable to the Directors and Key Managerial Personnel and Senior Management Personnel;
- h) develop a succession plan for the Board and to regularly review the plan;

- i) decide 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.

9) Policy on Board Diversity:

The Board of Directors shall have the optimum combination of Directors from the different areas / fields like Production, Management, Quality Assurance, Finance, Sales and Marketing, Supply chain, Research and Development, Human Personnel etc., or as may be considered appropriate by the Committee. Further, the Board shall have at least one Board member having accounting or related financial management expertise and at least two financially literate members.

10) Appointment and Removal of Directors, KMP and SMP:

a) Appointment criteria and qualifications:

- i) The Committee shall consider the standards of qualification, expertise and experience of the candidates for appointment as Director, Key Managerial Personnel and accordingly recommend to the Board his/her appointment.
- ii) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- iii) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position 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 for extension of appointment beyond seventy years.

b) Term / Tenure:

i) Managing Director / Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

ii) Independent Director:

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment for another term of five years on passing of a special resolution by the Company in General Meeting and necessary disclosure of such appointment in the Board's Report.
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed Companies as an Independent Director and three listed Companies as an Independent Director in case such person is serving as a Whole-time Director of a listed Company or such other number as may be prescribed by the Act.
- The Company shall not appoint or continue the Directorship of any person as Independent Director who has attained the age of seventy five years. Provided that the tenure of the person holding Independent Directorship may be extended beyond the age of

seventy five 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 for extension of appointment beyond seventy five years.

c) Evaluation:

The Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

d) Removal:

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, 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 and compliance of the said Act, rules and regulations and Company's Code of Conduct.

e) Retirement:

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board, on the recommendation of the Committee, will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

11) Provisions relating to remuneration of the Whole-Time Director, KMP and SMP:

The compensation structure is to be aligned to overall philosophy of the Company to attract, nurture and retain high quality talent. Remuneration of Directors and KMP shall be approved by the Board based on the recommendations of the Nomination and Remuneration Committee, and shall be subject to approval of the Shareholders, wherever applicable.

Remuneration of other employees may be decided by the management of the Company.

In determining the remuneration of Directors, KMP, Senior Management personnel and other employees, the following criteria is considered:

- The balance between fixed and variable pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals.
- Alignment of remuneration of KMP and Directors with long-term interests of the Company
- Independent Directors and Directors forming part of the Promoter and Promoter Group shall not be entitled to receive stock options.
- Company's performance vis-à-vis the annual achievement, individuals' performance vis-à-vis KRAs/KPIs, industry benchmark and current compensation trends in the market.

12) Remuneration to Non-Executive / Independent Director:

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

b) Sitting Fees:

The Non-Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount such fees shall not exceed such amount as may be prescribed by the Act or as amended from time to time.

c) Commission:

Commission may be paid within the monetary limit approved by the shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

d) Stock Options:

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

13) Membership of the Committee:

- a) The Committee shall consist of a minimum 3 non-executive Directors, majority of them being Independent.
- b) Minimum 2 members or one third of the total number of members of the Committee whichever is higher shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

14) Chairperson:

- a) Chairperson of the Committee shall be an Independent Director.
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one among them to act as Chairperson.
- d) Chairman of the Nomination and Remuneration Committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

15) Frequency of Meetings:

The meeting of the Committee shall be held at such regular intervals as may be required and appropriate with at least one meeting in a year.

16) Committee Members Interests

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

17) Voting

- a) 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 a decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

18) Minutes of the Committee Meeting:

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

19) Amendment:

- a) This Policy may be amended by the Board at any time with the recommendation of the Nomination and Remuneration Committee, and is subject to the amendment to the Companies Act, 2013 and further guidelines and enactments by the SEBI, including Listing Regulations.
- b) In case of any subsequent changes in the provisions of the Companies Act, 2013, or any other regulations or Listing Regulations, which makes any of the provisions in the Policy inconsistent with the Act or regulations, 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 Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee.
- d) Any changes or modification(s) in the policy as recommended by the Committee would be presented for approval of the Board of Directors.

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Approved by the Board of Directors at its meeting held on 04th February, 2021.

For and on behalf of Board of Directors

Sd/

K.Lakshmi Raju

Chairperson