

## Sudarshan NRC - Terms of Reference

### NOMINATION AND REMUNERATION COMMITTEE

#### TERMS OF REFERENCE

#### **A. PROVISIONS UNDER COMPANIES ACT, 2013 AND CLAUSE 49 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA CIRCULAR DATED APRIL 17, 2014 ('AMENDED CLAUSE 49') REGARDING TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE**

##### **Reference Provisions under Companies Act, 2013 and Schedule V regarding Terms of Reference of Nomination and Remuneration Committee**

- (i) Section 178, sub-section (2);
- (ii) Section 178, sub-section (3);
- (iii) Section 178, sub-section (4);
- (iv) Schedule V, Explanation IV to Section IV, Part II.

##### **Reference Provision under Amended Clause 49 regarding Terms of Reference of Nomination and Remuneration Committee**

Clause 49 (IV)(B)

##### **Reference Provision in Annexure – XII to the Listing Agreement on 'Suggested List of Items to be included in the Report on Corporate Governance in the Annual Report of Companies'**

- (i) Brief description of terms of reference;
- (ii) Composition, name of members and Chairperson;
- (iii) Attendance during the year;
- (iv) Remuneration policy;
- (v) Details of remuneration to all the directors, as per format in the main report on Corporate Governance.

## **B. TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE ('NRC')**

1. To identify persons:

- (i) Who are qualified to become directors; and
- (ii) Who may be appointed in senior management in accordance with the criteria laid down by NRC for determining qualifications and positive attributes;

The expression 'senior management' has been defined vide Explanation to sub-section (8) of section 178 of the 2013 Act.

Senior management of the Company shall consist of:

- (i) Those identified by the Company as forming part of the core management team;
- (ii) Senior management (other than Board of Directors/ Board) who are one level below the executive directors;
- (iii) Functional heads (even though they may not be more than one level below the executive directors).

2. To recommend to the Board the appointment and removal of directors and senior management personnel;

3. To 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 the directors, key managerial personnel and other employees;

For the purpose of recommending to the Board a policy relating to remuneration, the following criteria shall be met, namely:

- (i) The remuneration payable to the directors, including any managing or whole-time director or manager, shall be inclusive of the remuneration payable to him for the services rendered by him in any other capacity. However, the remuneration for services rendered by any such director in other capacity shall not be included if in the opinion of the NRC, the director possesses the requisite qualification for the practice of the profession;
- (ii) The limits with respect to payment of remuneration prescribed vide Schedule V, in particular, Section II of Part II thereof, in the case of a company having no profit or inadequate profit shall apply if the payment of remuneration is approved by the NRC;
- (iii) For the purpose of approving the remuneration payable by companies having no profit or inadequate profit without Central Government approval or remuneration payable by companies having no profit or inadequate profit without Central Government approval in certain special circumstances, the NRC shall

a. take into account, financial position of the company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, etc;

b. be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the company and the shareholders.

While formulating the policy, NRC is required to ensure that:

(i) 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;

(ii) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(iii) 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.

4. To determine or review on behalf of the Board, the compensation package, service agreements and other employment conditions for managing or whole time director (s);

5. To determine on behalf of the Board, the quantum of annual increments or incentives on the basis of performance of the Key Managerial Personnel;

6. To formulate, amend and administer stock option plans and grant stock options to managing or whole time director (s) and employees of the Company;

7. To formulate or lay down the criteria for evaluating the Independent Directors and the Board, that is to say, the criteria for performance evaluation of independent directors;

8. To devise a policy on Board diversity;

9. To consider other matters, as from time to time, be referred to it by the Board.

The Terms of Reference were approved by the Board of Directors at their meeting held on 13th February, 2015.