



NOMINATION AND REMUNERATION POLICY

INTRODUCTION

A transparent, fair and reasonable process for determining the appropriate remuneration at all levels of the Company is required to ensure that shareholders remain informed and confident in the management of the Company. To harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 and the rules made thereunder, this policy on nomination and remuneration of Directors on the Board of the Company, Key Managerial Personnel and other employees in the Senior Management is formulated in compliance with Section 178 of the Companies Act, 2013 read with the applicable rules thereto.

This Policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, appointment and removal of the Directors, Key Managerial Personnel and Senior Management employees and matters relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

Pursuant to the requirement of Section 178 of the Companies Act, 2013, the Company has a duly constituted Nomination and Remuneration Committee.

1. OBJECTIVE OF THE POLICY

1.1. The objective of this Policy is to outline a framework to ensure that the Company's remuneration levels are aligned with best industry practices and are good enough to attract and retain competent Directors on the Board, Key Managerial Personnel and the Senior Management Personnel of the quality required. The key objectives of this Policy include:

- (i) guiding the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management employees.
- (ii) evaluating the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- (iii) recommending to the Board the remuneration payable to the Directors and setting forth a policy for determining remuneration payable to Key Managerial Personnel and Senior Management employees.

1.2. While determining the remuneration for the Directors, Key Managerial Personnel and Senior Management employees, regard should be given to



prevailing market conditions, business performance and practices in comparable companies, also to financial and commercial health of the Company as well as prevailing laws and government / other guidelines, to ensure that the pay structure are appropriately aligned and the levels of remuneration remain appropriate.

- 1.3. While designing the remuneration package it should be ensured:
 - (i) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate person, to ensure the quality required to run the Company successfully.
 - (ii) Remuneration to Directors, Key Managerial Personnel and Senior Management employees 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.
- 1.4. Some part of the remuneration package may be linked to the achievement of corporate performance targets of the Company and a strong alignment of interest with stakeholders.
- 1.5. The Committee shall observe the set of principles and objectives as envisaged under the Companies Act, 2013 ("Act") (including Section 178 thereof), rules framed there under, *inter-alia*, principles pertaining to determining qualifications, positive attributes, integrity and independence.
- 1.6. In this context, the following Policy has been formulated by the Nomination and Remuneration Committee and recommended to the Board of Directors for adoption.

2. EFFECTIVE DATE

This Policy shall be effective from the date of its adoption by the Board.

3. DEFINITIONS

- 3.1. In this Policy the following terms shall have the meaning assigned to them:
 - (i) "Act" means The Companies Act, 2013 and rules made thereunder.
 - (ii) "Board of Directors" or "Board" means the Board of Directors of the Company.
 - (iii) "Committee" means Nomination and Remuneration Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act.



- (iv) **“Company”** means “Deepak Novochem Technologies Ltd.”
- (v) **“Director”** shall mean a member of the Board of Directors of the Company appointed from time to time in accordance with the Articles of the Association of the Company and provisions of the Act.
- (vi) **“Employees’ Stock Option”** means the option given to the Directors, other than Independent Directors, officers or employees of a Company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a pre-determined price.
- (vii) **“Executive Director”** shall mean a Director who is in the whole-time employment of the Company other than Managing Director.
- (viii) **“Financial Year”** shall mean the period ending on the 31st day of March every year.
- (ix) **“Independent Director”** shall mean a Director referred to in Section 149(6) of the Act.
- (x) **“Key Managerial Personnel”** or **“KMP”** shall have the meaning ascribed to it in the Act.
- (xi) **“Managing Director”** means a Director who, by virtue of the Articles of Association of the Company or an agreement with the Company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the Company and includes a Director occupying the position of Managing Director, by whatever name called.
- (xii) **“Policy”** or **“this Policy”** means, “Nomination and Remuneration Policy.”
- (xiii) **“Remuneration”** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.
- (xiv) **“Senior Management”** means 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, including all the functional heads.

3.2. Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.



4. APPLICABILITY

This Policy is applicable to:

- (i) Directors (Managing Director, Executive Director, Independent Director, and Non-Independent Director)
- (ii) Key Managerial Personnel
- (iii) Senior Management employees
- (iv) Other Employees

5. NOMINATION AND REMUNERATION COMMITTEE

5.1. Role of the Committee:

- (a) Identifying persons who are qualified to become Director and who may be appointed in Senior Management cadre in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.
- (b) Formulating the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board, a policy, relating to the remuneration for the Directors, Key Managerial Personnel and Senior Management employees.
- (c) Formulating the criteria for evaluation of Independent Directors and the Board.
- (d) Devising a policy on Board diversity.
- (e) Ensuring that the Board comprises of a balanced combination of Executive Directors and Non-Executive Directors.
- (f) The Committee shall take into consideration and ensure the compliance of provisions under Schedule V of the Companies Act, 2013 for appointing and fixing remuneration of Managing Directors / Executive Directors.
- (g) While approving the remuneration, the Committee shall take into account financial position of the Company, trend in the industry, qualification, experience and past performance of the appointee.
- (h) any other role as may be specified by the Board.



5.2. Composition of the Committee

- (a) The Committee shall comprise of at least three (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent Directors.
- (b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act.
- (c) Membership of the Committee shall be disclosed in the Annual Report.
- (d) Term of the Committee shall continue unless terminated by the Board of Directors.

5.3. Chairman of the Committee

- (a) Chairman of the Committee shall be an Independent Director.
- (b) Chairman of the Company (whether Executive or non- Executive) may be appointed as a member of the Committee but shall not Chair the Committee.
- (c) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- (d) Chairman of the Committee shall be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

5.4. Frequency of the Meetings of the Committee

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

5.5. Committee Member's Interest

- (a) A member of the Committee is not entitled to be present 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.

5.6. Quorum

The quorum necessary for transacting business at a meeting of the Committee shall be two (2) members or one-third of the members of the Committee, whichever is greater.



5.7. Voting at the Meeting

- (a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of members present. 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.

6. APPOINTMENT AND REMOVAL OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT EMPLOYEES

- 6.1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as a Director, KMP and Senior Management employee.
- 6.2. A person should possess adequate qualifications, expertise and experience for the position he/ she is considered for appointment as a Director, Key Managerial Personal or Senior Management employee.
- 6.3. The Company shall not appoint or continue the employment of any person as Managing Director / Executive 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 such appointment.
- 6.4. The appointment as recommended by the Committee to the Board shall be subject to the approval of the Board.

6.5. Criteria for appointment of Independent Director:

- 6.5.1. The proposed appointee shall comply with the criteria specified in the relevant provisions of the Act. He or she shall not, directly or indirectly, represent the interest of any specific vendor or customer or stakeholder and shall have business reputation and strong ethical standards and possess leadership skills and business experience including board procedures.
- 6.5.2. The Independent Director shall fulfill the qualification and requirements specified under the Act.
- 6.5.3. He or she shall also declare his or her independent status prior to their appointment to the Board and maintain the same during his or her tenure as an Independent Director. Being a Director of the Company, he or she shall adhere to the Code of Conduct stipulated for the Director.



6.6. Criteria for appointment of Managing Director / Executive Director:

- 6.6.1. The Company can have more than one Managing Director or Executive Director.
- 6.6.2. The appointee(s) shall have good educational background, preferably with specialization in the field. He shall have exemplary skills and leadership qualities to lead the Company or as the case may be the function assigned to him.
- 6.6.3. Depending on the role and responsibility, he shall have hands on experience in the relevant field. For example as ED (Operations) is expected to have adequate knowledge and experience about the plant operations and related issues. The suitability of the candidate shall be determined on a case to case basis by the Committee. Being a Director of the Company, Managing Director / Executive Director shall adhere to the Code of Conduct stipulated for the Director.
- 6.6.4. He shall fulfill the conditions as specified under Part I of Schedule V of the Act. However, in case the conditions specified under Part I of Schedule V of the Act is not fulfilled, such appointments shall be subject to the approval of the Central Government.

6.7. Criteria for appointment of KMPs:

- 6.7.1. Pursuant to the requirement of Section 203 of the Act, the Company is required to appoint a Managing Director / Manager / Chief Executive Officer and in their absence an Executive Director as Whole Time KMP.
- 6.7.2. The Company may also appoint a Chief Executive Officer (CEO) who may or may not be a Director. The qualification, experience and stature of the CEO could be in line with that of the Executive Director. Where the CEO is designated as KMP, he shall act subject to the superintendence and control of the Board.
- 6.7.3. The Company is also required to appoint a Chief Financial Officer (CFO) as KMP as per the requirement of the Act. The CFO shall preferably be a Chartered Accountant or a Cost & Management Accountant or holds an equivalent qualification and have relevant work experience. He shall be well versed with finance function including but not limited to funding, taxation, forex and other core matters.
- 6.7.4. As required under the said Section of the Act, a Company Secretary (CS) is also required to be appointed by the Company as a KMP. The CS shall have the prescribed qualification and requisite



experience to discharge the duties specified in law and as may be assigned by the Board
/ Managing Director / Executive Director from time to time.

6.7.5. KMPs, other than Managing Director and/or Executive Director shall adhere to the Code of Conduct stipulated for the Senior Management.

6.8. Criteria for appointment of Senior Management employees:

6.8.1. Senior Management employees shall possess the requisite qualifications, expertise and experience depending upon the requirement of the relevant position.

6.8.2. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

6.8.3. Senior Management employees shall adhere to the Code of Conduct stipulated for the Senior Management.

6.9. Term / Tenure

6.9.1. Managing Director and Executive Director

The Company shall appoint or re-appoint any person as its Managing Director / Executive 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 the term.

6.9.2. Independent Director

(a) 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 on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

(b) 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.

(c) The Independent Director shall comply with the requirement of number of directorships he or she can hold as prescribed



under the provisions of the Act.

6.10. Evaluation

- 6.10.1. Subject to Schedule IV of the Companies Act, 2013, the Committee shall carry out the evaluation of Directors periodically.
- 6.10.2. The performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the Director being evaluated.
- 6.10.3. The Independent Directors at their separate meeting shall review, on yearly basis, the performance of Non- Independent Directors and the Board as a whole.
- 6.10.4. The Independent Directors at their separate meeting shall also review, on yearly basis, the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors.
- 6.10.5. The entire process of the Performance Evaluation shall be kept in strict confidence and shall not be disclosed to any person except to those required to perform their duties under the Act.
- 6.10.6. All the records of Performance Evaluation process and outcome shall be maintained by the Company Secretary of the Company and shall be kept at the Registered Office of the Company. Such records shall be preserved till such time as may be decided by the Board from time to time or as required under the Act.

6.11. Removal

Due to reasons for any disqualification mentioned in the Act, rules made thereunder or under any other applicable laws, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP and Senior Management employees subject to the provisions and compliance of the applicable laws, rules and regulations.

6.12. Retirement

The Director, KMP and Senior Management employees shall retire as per the applicable provisions of the Act and/or the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management employees in the same position / remuneration or otherwise even after attaining the retirement age, in the interest and for the benefit of the Company, in accordance with the provisions of the Act and approval of members, wherever required.



7. REMUNERATION

7.1. Remuneration to Managing Director:

7.1.1. The remuneration comprising of salary, allowance, perquisites and other benefits payable to Managing Director will be determined by the Committee and recommended to the Board for approval.

7.1.2. In addition to the remuneration as stated in 8.1.1. above, Managing Director shall also be paid a Commission, calculated with reference to the Net Profits of the Company in a particular Financial Year, as may be determined by the Board of Directors, subject to the overall ceiling stipulated in Section 197 and other relevant provisions of the Act.

7.1.3. The Managing Director shall be entitled to the following perquisites / allowances:

- (i) Housing – Rent free furnished residential accommodation. In case no accommodation is provided by the Company, Managing Director shall be paid house rent allowance as may be decided by the Board of Directors.
- (ii) Re-imbusement of gas, electricity, water charges and furnishings.
- (iii) Re-imbusement of medical expenses incurred for self and members of his family, as per rules of the Company.
- (iv) Leave travel concession for self and members of his family, as per rules of the Company.
- (v) Fees of clubs subject to maximum of two clubs
- (vi) Medical insurance, as per rules of the Company.
- (vii) Personal Accident Insurance, as per rules of the Company.
- (viii) Provision of car and telephone at residence.
- (ix) Company's contribution to provident fund, superannuation fund or annuity fund, gratuity and encashment of leave, as per rules of the Company.
- (x) Retirement and other benefits, as per rules of the Company.

7.1.4. The remuneration and commission to be paid to the Managing Director shall be as per the statutory provisions of the Act and the rules made thereunder for the time being in force and shall be subject to the



approval of the shareholders of the Company and Central Government, wherever required.

7.1.5. The remuneration / commission payable to Managing Director shall be reviewed by the Board after close of each Financial Year, and based on the Profits made by the Company in that Financial Year, Managing Director shall be paid such enhanced remuneration as the Board may decide subject to the ceiling limits specified in Section 197 and other applicable provisions of the Act read with Schedule V of the Act.

7.1.6. The Managing Director shall not be entitled to sitting fees for attending the meetings of the Board or any Committee thereof.

7.2. Remuneration to Executive Director:

7.2.1. Fixed Pay

- (a) Executive Director shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee in accordance with the provisions of the Act and rules made thereunder for the time being in force.
- (b) The Fixed Pay of Executive Director shall comprise of salary, perquisites, allowances and other benefits. The perquisites, allowances and other benefits to the Executive Director shall include but not be limited to the following:
 - (i) Re-imbursement of medical expenses incurred for self and members of his family, as per policy of the Company.
 - (ii) Leave travel concession for self and members of his family, as per policy of the Company.
 - (iii) Medical and other insurances, as per policy of the Company.
 - (iv) Company Car with Driver.
 - (v) Company's contribution to provident fund, superannuation fund or annuity fund, gratuity and encashment of leave, as per the policy of the Company.
 - (vi) Retirement and other benefits, as per policy of the Company.
 - (vii) Hardship Allowance as applicable in accordance with the policy of the Company.



- (c) The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

7.2.2. Variable Pay

In addition to the salary, perquisites, allowances and other benefits as mentioned above, Executive Director will also be entitled to a Variable Pay by way of Performance Linked Incentive. This amount shall be paid annually after the end of each Financial Year. The Performance Linked Incentive shall be in the range of 25% to 40% of cost to the Company, which will be entirely based on the individual's performance and Company's performance and may vary from 80% to 125% of the Variable Pay as per policy of the Company.

7.2.3. Loyalty Bonus

In addition to the above, Executive Director shall also be entitled for the Loyalty Bonus as per policy of the Company.

7.2.4. Payment of Variable component / Increments

Payment of Variable component of the remuneration of the Executive Director for a particular Financial Year and increments to the existing remuneration structure of Executive Director shall be recommended by the Managing Director to the Committee based upon the individual performance and also the Company's performance as per policy of the Company.

- (a) The Committee shall review the payment of Variable component of the remuneration of the Executive Director for a particular Financial Year and increments to the existing remuneration structure of Executive Director as recommended by the Managing Director and recommend the same to the Board for its approval. Such Variable component and proposed enhanced remuneration as recommended by the Committee to the Board should be within the overall limits of managerial remuneration as prescribed under the Act and rules made thereunder.
- (b) The Executive Director shall also be entitled to reimbursement of all legitimate expenses incurred by him while performing his duties and such reimbursement will not form part of his remuneration.

7.2.5. Executive Director shall not be entitled to sitting fees for attending meetings of the Board or any Committee thereof.



7.3. Minimum Remuneration

Where, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director(s) and Executive Director(s) in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

7.4. Remuneration to Independent Director and Directors other than Managing Director/ Executive Director:

7.4.1. Sitting Fees

The Independent Director / Directors other than Managing Director and Executive Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof.

Provided that the amount of such fees shall not exceed the maximum amount as provided in the Act, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

The Sitting Fees paid to Independent Directors, shall not be less than the Sitting Fees payable to the other Directors.

7.4.2. Commission on the Net Profits

Apart from receiving the Sitting Fees, Independent Director(s) / Non- Independent Director(s) may be paid

Commission on the Net Profits of the Company for a particular Financial Year within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the Net Profits of the Company computed as per the applicable provisions of the Act. The amount of Commission payable to each Independent Director / Non-Independent Director for a particular Financial Year shall be decided by the Chairman of the Company and shall be approved by the Board.

7.4.3. Stock Options

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

7.5. Provisions for excess remuneration

If any Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. Subject to the approval of Central Government, the Shareholders



of the Company maywaive recovery of such excess remuneration by passing an Ordinary Resolution.

7.6. Remuneration to KMP and Senior Management employees:

7.6.1. The remuneration to KMP and Senior Management employees shall comprise of Fixed Pay and Variable Pay and governed by the D N T L HR Policy.

7.6.2. The Committee may authorize the Managing Director / Executive Director to determine from time to time the remuneration payable to KMP and Senior Management employee including their increments. The powers of the Committee in this regard may be delegated to the Managing Director / Executive Director.

7.6.3. Remuneration of a KMP at the time of their appointment will be recommended by the Managing Director / Executive Director to the Committee. The Committee shall review such remuneration and recommend the same to the Board for approval. Any subsequent modification to the remuneration of KMP shall be decided by the Managing Director / Executive Director as may be authorized by the Committee.

7.6.4. Fixed Pay

The Fixed Pay of KMP and Senior Management employees shall comprise of salary, perquisites, allowances and other benefits as per policy of the Company. The break-up of the pay scale and quantum of perquisites including but not limited to employer's contribution to P.F, pension scheme, medical expenses etc. shall be decided by the Managing Director / Executive Director.

7.6.5. Variable Pay

The remuneration of KMP and Senior Management employees will also comprise performance linked variable pay which may vary from 0% to 16% of the cost to the Company. This amount of variable pay shall be paid annually after the end of each Financial Year and will be entirely based on the individual's performance and Company's performance and may vary from 0% to 16% of the variable pay as per policy of the Company. Such Variable Pay for a particular Financial Year shall be decided by the Managing Director / Executive Director.

7.6.6. Hardship Allowance and Loyalty Bonus

In addition to the above, KMP and Senior Management employees shall also be entitled for the Hardship Allowance, as may be applicable and Loyalty Bonus as per policy of the Company.



7.7. The remuneration to other employees of the Company shall be governed by DNTL HR Policy.

7.8 Loans and Advances to Employees

- (a) The Loan, advance and other financial assistance facilities to the employees shall be governed by the DNTL HR policy as amended from time to time and shall be considered as a part of 'conditions of service' for employees of the Company.
- (b) Advances to the employees for the purpose of performance of his duties shall be governed by the DNTL HR Policy as amended from time to time and shall be considered as a part of 'conditions of service' for employees of the Company.

8. BOARD DIVERSITY

The Board of Directors shall have the optimum combination of Directors from the different areas / fields like production, operations, management, quality assurance, finance, sales and marketing, research and development, legal, human resources etc. or as may be considered appropriate.

8.1. The Board shall have at least one Director who has accounting or related financial management expertise.

9. DISCLOSURE

This Policy shall be disclosed in the Board's Report.

10. REVIEW OF THE POLICY

This Policy shall be reviewed by the Committee after every three years.

11. 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.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the competent authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.