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**[NOMINATION AND REMUNERATION POLICY OF DIRECTORS, KEY
MANAGERIAL PERSONNEL AND OTHER EMPLOYEES]**

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1. BACKGROUND

Suryalata Spinning Mills Limited (hereinafter referred as the 'Company') practices a corporate culture that is based on the tenets of trusteeship, empowerment, accountability, control and ethical practices with transparency at its core for creation of maximum value for the stakeholders.

2. BRIEF OVERVIEW UNDER COMPANIES ACT 2013

➤ Section 178 and Companies [Meetings of Board and its Powers] Rules, 2014

- Constitution of the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors.
- The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and 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.
- The Nomination and Remuneration Committee shall formulate 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 other employees.
- The Nomination and Remuneration Committee shall, while formulating the policy 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;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

- 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.
- o Such policy shall be placed on the website of the company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report.

3. BRIEF OVERVIEW OF REGULATION 19 OF SEBI (LODR), REGULATIONS, 2015

Nomination and Remuneration Committee

- A. The company shall set up a Nomination and Remuneration committee which shall comprise at least three directors, all of whom shall be non-executive directors and at least half shall be independent. Chairman of the committee shall be an independent director.
- B. The Chairman of the committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.
- C. The role of the committee shall be in terms of Part D of the Schedule II of SEBI Listing Regulations, as amended, which inter-alia, includes the following:
 - Formulation of 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 every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
 - a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and

- c. consider the time commitments of the candidates.
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.
- 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.
- To recommend to the board, all remuneration, in whatever form, payable to senior management.

4. CONSTITUTION OF COMMITTEE AND KMP'S OF THE COMPANY

- o The Company has constituted a Nomination and Remuneration Committee of the Board of Directors (Board).
- o Key Managerial Personnel (KMP) consists of Chairman and Whole-time Director, Managing Director, and Chief Financial Officer (CFO) and Company Secretary who are employees.

5. TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE

- a) 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;
- b) To formulate criteria for & mechanism of evaluation of Independent Directors and the Board of Directors;
- c) To 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 and / or by an independent external agency and review its implementation and compliance;

- d) To devise a policy on diversity of Board of Directors;
- e) To Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;

Clarification: For the purpose of Nomination & Remuneration Committee, Senior Management Personnel (SMP) shall mean:

- Key Managerial Personnel (as defined in the Companies Act, 2013); in case of appointment of Chief Financial Officer (CFO), the Committee shall identify person(s) and provide its recommendation to the Audit Committee as well as to the Board of Directors of the Company.
- Chief Executive Officer (CEO), in case if he / she is not part of the Board;
- SMP on the payroll of the Company and its material subsidiaries.
- Employee at one level below Managing Director (MD) / CEO (N-1) of the Company (if both positions are occupied at the same time, N-1 for both the positions shall be considered as SMP); and
- Head of Function / Departments.

Specific exclusions from SMP:

- Any employee reporting temporarily to the MD/CEO;
 - Non-core team member reporting to MD/CEO, and
 - Head of function or department reporting to another function/ department head already identified as SMP.
- f) To extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
 - g) To review and recommend remuneration of the Managing Director(s) / Whole- time Director(s) based on their performance;
 - h) To recommend to the Board, appointment of SMP and remuneration, in whatever form, payable to SMP;
 - i) To review, amend and approve all Human Resources related policies;
 - j) To ensure that the management has in place appropriate programs to achieve maximum leverage from leadership, employee engagement, change management, training & development, performance management and supporting system;
 - k) To oversee workplace safety goals, risks related to workforce and compensation practices;
 - l) To oversee employee diversity programs;
 - m) To oversee HR philosophy, people strategy and efficacy of HR practices including those for leadership development, rewards and recognition,

- talent management and succession planning (specifically for the Board, KMP and Senior Management);
- n) To oversee familiarisation programme for Directors;
 - o) To recommend the appointment of one of the Independent Directors of the Company on the Board of its Material Subsidiary;
 - p) To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

6. CRITERIA FOR DETERMINING THE FOLLOWING:-

➤ **Qualifications for appointment of Directors (including Independent Directors):**

- Persons of eminence, standing and knowledge with significant achievements in business, professions and/or public service.
- Their financial or business literacy/skills.
- Their industry experience.
- Appropriate other qualification/experience to meet the objectives of the Company.
- Persons whose name is included in the data bank as per Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

The Nomination and Remuneration Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate/s.

➤ **Positive attributes of Directors (including Independent Directors):**

- Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
- Actively update their knowledge and skills with the latest developments in the industry, market conditions and applicable legal provisions.
- Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities.

- To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
- To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.
- Independent Directors to meet the requirements of the Companies Act, 2013 read with the Rules made there under and SEBI Listing Regulations as amended from time to time.

➤ **For appointment of KMP/Senior Management:**

- To possess the required qualifications, experience, skills and expertise to effectively discharge their duties and responsibilities.
- To practice and encourage professionalism and transparent working environment.
- To build teams and carry the team members along for achieving the goals/objectives and corporate mission.
- To adhere strictly to code of conduct

7. POLICY RELATING TO REMUNERATION OF DIRECTORS, KMP AND SENIOR MANAGEMENT PERSONNEL:
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- To ensure that the level and components of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and other employees of the quality required to run the Company successfully.
- No director / KMP/ other employee is involved in deciding his or her own remuneration.
- The trend prevalent in the similar industry, nature and size of business is kept in view and given due weightage to arrive at a competitive quantum of remuneration.
- It is to be ensured that relationship of remuneration to the performance is clear and meets appropriate performance benchmarks which are unambiguously laid down and communicated.

- Improved performance should be rewarded by increase in remuneration and suitable authority for value addition in future.
- Remuneration packages should strike a balance between fixed and incentive pay, where applicable, reflecting short and long term performance objectives appropriate to the Company's working and goals.
- Following criteria are also to be considered:
 - Responsibilities and duties;
 - Time and efforts devoted;
 - Value addition;
 - Profitability of the Company and growth of its business;
 - Analysing each and every position and skills for fixing the remuneration yardstick;
 - Remuneration Policy of Suryalata Spinning Mills Limited
 - Standards for certain functions where there is a scarcity of qualified resources.
 - Ensuring tax efficient remuneration structures.
 - Ensuring that remuneration structure is simple and that the cost to the Company (CTC) is not shown inflated and the effective take home remuneration is not low.
 - Other criteria as may be applicable.
 - Consistent application of remuneration parameters across the organisation.
- Provisions of law with regard making payment of remuneration, as may be applicable, are complied.
- Whenever, there is any deviation from the Policy, the justification / reasons should also be indicated / disclosed adequately.

8. FRAMEWORK FOR PERFORMANCE EVALUATION OF BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS
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Pursuant to Section 178(2) of the Companies Act, 2013, the Nomination and Remuneration Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual Directors and review its implementation and Compliance. It may be carried out either by the Board, or by the Nomination and Remuneration Committee or by an independent external agency. Regulation 25(4) of SEBI (LODR), Regulations, 2015 and Part VII of the schedule IV of the Companies Act, 2013, requires the independent directors to review the performance of non-independent directors and the Board as a whole; and review the performance of

the Chairperson of the company, taking into account the views executive Directors and non-executive directors. Regulation 17(10) of SEBI (LODR) regulations, 2015 requires the independent directors to be evaluated by the entire Board of directors excluding the directors who are subject to evaluation. Section 134(3)(p) of the Companies Act, 2013 requires Directors Report to state the manner in which formal annual evaluation of the performance of the Board, its Committees and of individual directors has been made.

1. EVALUATION MECHANISM

- (i). The Committee shall carry out the evaluation of performance of every director on an annual basis.
- (ii). The evaluation of the Board involves
 - A. Board as a whole
 - B. Committees of the Board
 - C. Individual Directors and Chairperson (including Chairperson, Independent Directors, Non-independent directors, etc.)

2. CRITERIA FOR EVALUATION OF THE BOARD

(Refer SEBI circular No. SEBI/ HO/CFD/ CMD/ CIR/P/2017/004 dated January 5, 2017)

Rating scale 1 to 5
(1-Excellent, 4- Very Good, 3- Good, 2- Average ,1- Poor

A. BOARD AS A WHOLE

Assessment criteria be considered in the performance evaluation of the entire Board

Sr. No.	Assessment Criteria	Rating
1.	Competency of directors: Whether Board as a whole has directors with a proper mix of competencies to conduct its affairs effectively.	
2.	Experience of directors: Whether Board as a whole has directors with enough experience to conduct its affairs effectively.	
3	Mix of qualifications: Whether Board as a whole has directors with a proper mix of qualifications to conduct its affairs effectively.	
4	Diversity in Board under various parameters: Gender/background/ competence/experience, etc. - Whether there is sufficient diversity in the Board on the aforesaid parameters	

5	Appointment to the Board: Whether the process of appointment to the board of directors is clear and transparent and includes provisions to consider diversity of thought, experience, knowledge, perspective and gender in the board of Directors	
6	Regularity of meetings: Whether meetings are being held on a regular basis	
7	Agenda: Whether agenda of meetings to directors meets expectations in terms of length, level of details sufficient for the Board to take decision. Whether Board members come prepared to meetings and discuss the matter at length in the best interest of the Company and address issues that might present a conflict of interest.	
8.	Discussions and dissent: Whether the Board discusses every issue comprehensively and depending on the importance of the subject.	
9	Recording of minutes: Whether the minutes are being recorded properly, circulated to all the Board members and dissenting views are recorded in the minutes.	
10	Strategy and performance evaluation: Whether significant time of the Board is being devoted to management of current and potential strategic issues.	
11	Governance and compliance: Whether adequate time of the Board is being devoted to analyzing and examine governance and compliance issues.	
12	Evaluation of Risks: Whether Board undertakes a review of the high-risk issues impacting the organization regularly.	
13	Grievance redressal for Investors: Whether the Board regularly reviews the grievance redressal mechanism of investors, details of grievances received, disposed of and those remaining unresolved.	
14	Review of Board evaluation: Whether the Board monitors and reviews the Board evaluation framework.	
15	Facilitation of independent directors: Whether the Board facilitates the independent directors to perform their role effectively as a member of the	

	board of directors and also a member of a committee of board of directors and any criticism by such directors is taken constructively.	
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B. COMMITTEES OF THE BOARD

Assessment criteria be considered be considered in the performance evaluation of the Committees of the Board:

Sr. No.	Assessment Criteria	Rating
1.	Whether the mandate, composition and working procedures is clearly defined and disclosed and as per the provisions of the applicable law(s)?	
2.	Whether the Committee has fulfilled its functions as assigned by the Board and laws as may be applicable?	
3.	Are sufficient number of meetings, of appropriate length, being held to enable proper consideration of agenda?	
4.	The information provided to members prior to meetings meets expectations in terms of length and level of detail and members come prepared to meetings and ask appropriate questions of management and address issues that might present a conflict of interest.	
5.	Whether the Committee's recommendations contribute effectively to the decisions of the Board?	

C. INDIVIDUAL DIRECTORS AND CHAIRMAN, NON-EXECUTIVE DIRECTORS:

Assessment criteria be considered to be considered in a performance evaluation of the Non-Executive Directors:

Sr. No.	Assessment Criteria	Rating
1.	Attendance at meetings of the Board and Committees,	
2.	Participation at the Board Meeting and Committee Meetings,	
3.	Leadership initiative like innovative ideas and planning towards growth of the Company and steps initiated towards Branding of the Company.	
4.	Adherence to ethical standards and Code of Conduct of Company.	
5.	Compliance with policies, Reporting of frauds, violation etc. and disclosure of interest.	
6.	Contribution towards growth of the Company including actual vis-à-vis budgeted performance.	
7.	Interpersonal relations with other directors and management.	
8.	Safeguarding of confidential information.	

D. INDEPENDENT DIRECTORS:

Assessment criteria be considered to be considered in a performance evaluation of the Independent Directors

Sr. No.	Assessment Criteria	Rating
1.	Attendance at meetings of the Board and Committees,	
2.	Participation at the Board Meeting and Committee Meetings.	
3.	Understanding of the Company and the external environment in which it operates and contribution to strategic direction.	
4.	Adherence to ethical standards and Code of Conduct of Company and disclosure of non - independence, as and when it exists and disclosure of interest.	

5.	Raising of valid concerns to the Board and constructive contribution to resolution of issues at meetings.	
6.	Contribution towards growth of the Company including actual vis-a-vis budgeted performance.	
7.	Interpersonal relations with other directors and management.	
8.	Objective evaluation of Board's performance, Rendering independent, unbiased opinion.	
9.	Safeguarding of confidential information.	
10.	Contribution to the enhancement of brand image of the Company.	

E. CHAIRMAN:

Assessment criteria be considered to be considered in the performance evaluation Chairman.

Sr. No.	Assessment Criteria	Rating
1.	Attendance at meetings of the Board and Committees,	
2.	Participation at the Board Meeting and Committee Meetings,	
3.	Whether the Chairman possess quality of leadership, coordination and steering skills, etc.	
4.	Whether the Chairman is sufficiently committed to the Board and its meetings.	
5.	Adherence to ethical standards and Code of Conduct of Company.	
6.	Whether the Chairman is impartial in conducting discussions, seeking views and dealing with dissent.	
7.	Whether due importance being given for shareholder's interest in discussions and taking appropriate decisions.	
8.	Interpersonal relations with other directors and management.	
9.	Safeguarding of confidential information.	

10.	Whether the Chairman displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, able to co- ordinate the discussion etc. and is overall able to steer the meeting effectively.	
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3. METHOD OF EVALUATION:

The method of evaluation shall be Internal assessment

Internal assessment:

- (i) The Board will review its own performance and performance of its committees and individual directors
- (ii) The Nomination and remuneration committee shall evaluate the performance of the Board as whole, its committees excluding Nomination and remuneration committee and individual directors Independent Directors will review the Board as a whole, Non independent Directors and Chairperson of the company.
- (iii) The internal assessment will be done by a detailed Questionnaire circulated to individual directors, Committees, Board, etc. If deemed fit, the questionnaire may enable written answers to be submitted on a confidential basis. If due to various reasons, members are not willing to provide written inputs, the Chairperson or any other person may take initiative and obtain views of such members on a confidential basis

4. FEEDBACK

Based on the criteria and rating scale accorded to each of the aforesaid levels, written assessment may be given to them which would be honest and without bias.

5. ACTION PLAN

Based on the analysis of the responses, the Board may prepare an action plan on Areas of improvement including training, skill building, etc. as may be required for Board members

6. FREQUENCY OF BOARD EVALUATION

Board Evaluation is required to be done once in a year.

9. FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

As required by the provision of Schedule IV to the Act and the provision of Regulation 25 of Securities Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Company is required to develop a Familiarization Programme for the Independent Directors of the Company.

The Company will impart Familiarization Programme for Independent Directors on the Board of the Company.

Familiarization Programme of the Company will provide information relating to the Company, industry, business model of the Company, geographies in which Company operated, etc, including visits to Company's facilities and Branches. The Programme also intends to improve awareness of the Independent Directors on their roles, rights and responsibilities towards the Company. Further the familiarization Programme should also provide insights about the strategies relating to the physical, operational and financial performance of the Company and budget an control and monitoring processes of the Company.

The Managing Director or such other authorized officer(s) of the Company shall conduct the Familiarization Programme on business model, revenue plans and aspects relating to business / industry. The Chief Financial Officer, Head of operations or such other authorized officers(s) or Company Secretary of the Company may participate in the programme for providing inputs on products, sales and financial performance of the Company and budget, control process, legal and Regulatory aspects etc.

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