

# **ADVANCE MULTITECH LIMITED**

## **NOMINATION AND REMUNERATION POLICY OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER SENIOR EMPLOYEES**

### **1. PREAMBLE**

Pursuant to Section 178 of the Companies Act, 2013 read with rule made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, Every Public Company falling under such class or classes of Companies as may be prescribe in the rules, 2014, shall require to constitute the Nomination and Remuneration Committee.

The primary function of the Nomination and Remuneration Committee is to assist the Board of Directors in fulfilling its governance and supervisory responsibility related to human resource management and compensation.

Accordingly, this Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto to discharge the obligation specified therein.

This policy may be called Advance Multitech Limited (**‘Company’**) Nomination and Remuneration Policy and shall be effective from April 01, 2014.

Advance Multitech Limited 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 AND SEBI REGULATIONS**

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

- (1) The Board of Directors of every listed public company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent director:

Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

- (2) 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

# ADVANCE MULTITECH LIMITED

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.

- (3) 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.
- (4) The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that—
  - (a) 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;
  - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - (c) 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:

Provided that 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.

## **[Regulation 19 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]**

- (1) The board of directors shall constitute the nomination and remuneration committee as follows:
  - (a) the committee shall comprise of at least three directors;
  - (b) all directors of the committee shall be non-executive directors; and
  - (c) at least two-thirds of the directors shall be independent directors.
- (2) The Chairperson of the nomination and remuneration committee shall be an independent director.

Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.

- (2A) The quorum for a meeting of the nomination and remuneration committee shall be either two members or one third of the members of the committee,

# ADVANCE MULTITECH LIMITED

whichever is greater, including at least one independent director in attendance

(3)The Chairperson of the nomination and remuneration 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.

(3A) The nomination and remuneration committee shall meet at least once in a financial year.

(4)The role of the nomination and remuneration committee shall be as specified as in Part D of Schedule II, which inter-alia includes the followings;

1. formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

(1A). 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. uses the services of an external agencies, if required;
- b. considers candidates from a wide range of backgrounds, having due regard to diversity; and
- c. considers the time commitments of the candidates

2. formulation of criteria for evaluation of performance of independent directors and the board of directors;
3. devising a policy on diversity of board of directors;
4. 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 of directors their appointment and removal.
5. 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.

# ADVANCE MULTITECH LIMITED

6. recommend to the board, all remuneration, in whatever form, payable to senior management.

## **3. MEMBERS OF THE COMMITTEE AND KMPS OF THE COMPANY**

1. The Company has constituted a Nomination and Remuneration Committee of the Board of Directors (Board).
2. At Present, there are total 5 (five) directors on the Board, out of which 3 (three) are executive directors, 2 (two) are Non-Executive Independent Directors.
3. Key Managerial Personnel (KMP) consists of Chairman & Managing Director, Company Secretary & Compliance Officer and Chief Financial Officer of the Company.

## **4. TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE**

- ❖ Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to, the Remuneration of the Directors, Key Managerial Personnel and Other Employees;
- ❖ Act as Selection and Compensation Committee to evaluate suitability of candidates for various Senior Positions and determine appropriate compensation package for them. Selection of related persons whether or not holding place of profit in the Company to be carried out strictly on merit and where applicable, be subjected to review by the Audit Committee of and / or the Board with approval at each stage being obtained by disinterested Independent Directors only.
- ❖ 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 of Directors their appointment and removal.
- ❖ Removal should be strictly in terms of the applicable laws and in compliance of principles of natural justice.
- ❖ Formulation of criteria for evaluation of Independent Directors and the Board.
- ❖ Devising a policy on Diversity of Board of Directors.

# ADVANCE MULTITECH LIMITED

- ❖ Recommend to the Board, remuneration including salary, perquisite and commission to be paid to the Company's Executive Directors on an annual basis or as may be permissible by laws applicable.
- ❖ Recommend to the Board, the Sitting Fees payable for attending the meetings of the Board / Committee thereof, and, any other benefits such as Commission, if any, payable to the Non- Executive Directors.
- ❖ Setting the overall Remuneration Policy and other terms of employment of Directors, wherever required.

## 5. 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.
- Appropriate other qualification / experience to meet the objectives of the Company.
- The Nomination and Remuneration Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidates.

### **For 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.
- 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 provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

# ADVANCE MULTITECH LIMITED

## **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.

## **6. POLICY RELATING TO REMUNERATION OF DIRECTORS, KMP AND SENIOR MANAGEMENT PERSONNEL:**

- 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;
  - ✓ Analyzing each and every position and skills for fixing the remuneration yardstick;
  - ✓ Standards for certain functions where there is a scarcity of qualified resources.
  - ✓ Ensuring tax efficient remuneration structures.

# ADVANCE MULTITECH LIMITED

- ✓ 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 organization.
- 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.

## 7. CRITERIA OF MAKING PAYMENTS TO NON-EXECUTIVE DIRECTORS

With changes in the corporate governance norms brought by the Companies Act, 2013 as well as Listing Regulations 2015, the role of Non-Executive Directors (NED) and the degree and quality of their engagement with the Board and the Company has undergone significant changes over a period of time. The Company is being hugely benefited from the expertise, advice and inputs provided by the NEDs. They devote their valuable time in deliberating on the strategic and critical issues in the course of the Board and Committee meetings of the Company and give their valuable advice, suggestion and guidance to the management of the Company from time to time. Levels of remuneration to the NEDs are determined such that they attract, retain and motivate directors of the quality and ability required to run the Company successfully.

Overall remuneration should be reflective of the size of the Company, complexity of the sector / industry / company's operations and the company's capacity to pay the remuneration.

As per Regulation 46(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, Listed entity shall disseminate following information on the website of the Company:

In keeping with the above, any fee / remuneration payable to the NEDs of the Company shall abide by the following:

### **Sitting Fee:**

Such director(s) may receive remuneration by way of fee for attending meetings of the Board or Committee thereof or any other meeting as required by Companies Act, 2013, Listing Regulations or other applicable law or for any other purpose whatsoever as may be decided by the Board;

# ADVANCE MULTITECH LIMITED

## **Commission:**

Under the Companies Act, 2013, Section 197 allows a company to pay remuneration to its NEDs either by way of a monthly payment or at a specified percentage of the net profits of the company or partly by one way and partly by the other. Further, the section also states that where the company has either managing director or whole-time director or manager, then a maximum of 1% of its net profits can be paid as remuneration to its NEDs. In case there is no managing director or whole-time director or manager, then a maximum of 3% of net profit can be paid. Thus, the basis of payment to the NEDs is the net profit of the Company.

## **Professional Fees:**

Under the Companies Act, 2013, Section 197 allows a Company to pay remuneration to its NEDs for services rendered by any such Director if:

- ✓ The services rendered are of Professional nature;
- ✓ In the opinion of Nomination and Remuneration Committee the Director possess the requisite qualification for the practice of the profession.

As per the provision of Section 188 of the Companies Act, 2013, the Audit Committee and the Board of Directors of the Company shall approve the Professional fees to be paid to Non-Executive Director(s), and with the approval of the Shareholders where ever required.

## **Reimbursement of actual expenses incurred:**

NEDs may also be paid / reimbursed such sums either as fixed allowance and / or actual as fair compensation for travel, boarding and lodging and incidental and / or actual out of pocket expenses incurred by such member for attending Board / Committee Meetings or for Company's work. The Nomination and Remuneration Committee is entrusted with the role of reviewing the compensation of NEDs

## **Payment to independent directors:**

An independent director shall not be entitled to any stock option and may receive remuneration only by way of fees and reimbursement of expenses for participation in meetings of the Board or committee thereof and profit related commission up to a certain percentage of net profits in such proportion, as may be permissible under the applicable law.

## **8. REVIEW**

The policy shall be reviewed by the Nomination and Remuneration Committee and the Board, from time to time as may be necessary.