

NOMINATION AND REMUNERATION POLICY OF **DEREWALA INDUSTRIES LIMITED**

1. INTRODUCTION

Under **Section 178 of the Companies Act, 2013**, every **listed public company** and all other Public Limited Companies having:

- (i) paid-up share capital of **ten crore rupees** or more; or
- (ii) turnover of **one hundred crore rupees** or more; or
- (iii) in aggregate, outstanding loans, debentures, and deposits, exceeding **fifty crore rupees**

shall constitute Nomination and Remuneration Committee of the Board consisting of three or more non-executive directors out of which not less than one-half shall be independent directors and shall identify persons who are qualified to become directors and who may be appointed in senior management by 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.

In terms of Section 178 of the Companies Act, 2013 this policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management and other employees of the Company has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors at its meeting held on **27th March 2021**.

Derewala Industries Ltd.

CIN: U36911RJ2007PLC024129

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2. APPLICABILITY

The Policy applies to:

- Directors (Executive and Non-Executive)
- Key Managerial Personnel
- Senior Management Personnel
- Other employees

3. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and the primary objective of the Policy is to provide a framework and set standards for the nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and officials comprising the senior management. The Company aims to achieve a balance of merit, experience, and skills amongst its Directors, Key Managerial Personnel, and Senior Management.

The Nomination and Remuneration Committee shall, inter alia, perform the following functions:

- a) 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 Directors, Key Managerial Personnel, and other employees.
- b) Formulate the criteria for the evaluation of the performance of Independent Directors and the Board of Directors.
- c) Identify persons who are qualified to become Directors and persons who may be appointed in Key Managerial and Senior Management positions under the criteria laid down in this policy, and recommend to the Board their appointment.

(appointment includes re-appointment) and removal.
- d) Recommend to the Board, appointment and removal of Directors, KMP, and Senior Management Personnel.
- e) Devise a policy on the diversity of the Board of Directors.

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- f) Whether to extend or continue the term of appointment of the Independent Directors, Managing Director, and Whole-time Director, based on the report of performance evaluation of the Independent Directors, Managing Director, and Whole-time Director.
- g) To 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.
- h) To ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- i) To give recommendations to the Board on remuneration payable to the Directors, Key Managerial Personnel, and Senior Management.
- j) 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 and
- k) To evaluate the performance of the members of the Board and provide necessary reports to the Board for further evaluation.
- l) Succession planning for replacing Key Executives and overseeing.
- m) 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.
- n) To perform such other functions as may be necessary or appropriate for the performance of its duties.

The Chairperson of the Nomination and Remuneration Committee or, in his absence, any other member of the committee authorized by the Chairperson on this behalf shall attend the general meetings of the company.

Provided that the Nomination and Remuneration Committee may set up a mechanism to carry out its functions and is further authorized to delegate any / all of its powers to any of the Directors and/or officers of the Company, as deemed necessary for proper and expeditious execution.

4. DEFINITIONS

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‘Act’ means the Companies Act, 2013, and rules framed thereunder, including any modification and reenactment.

“Board” means the Board of Directors of the Company.

‘Committee’ means the Nomination and Remuneration Committee of the Company as constituted or reconstituted, or renamed by the Board.

“Company” means Derewala Industries Limited (DIL).

“Director” means the Director of the Company appointed in accordance with the Companies Act, 2013.

“Independent Director” in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;]

(b) (i) who is or was not a promoter of the company or its holding, subsidiary, or associate company;

(ii) who is not related to promoters or directors in the company, its holding, subsidiary, or associate company;

(c) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent of his total income or such amount as may be prescribed,] with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

(d) None of whose relatives—

(i) is holding any security of or interest in the company, its holding, subsidiary, or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent of the paid-up capital of the company, its holding, subsidiary, or associate company, or such higher sum as may be prescribed;

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(ii) is indebted to the company, its holding, subsidiary, or associate company, or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or

(iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);]

(e) who, neither himself nor any of his relatives—

(i) holds or has held the position of a key managerial personnel or is or has been an employee of the company or its holding, subsidiary, or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during the preceding three financial years.

(ii) is or has been an employee or proprietor, or partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice, or cost auditors of the company or its holding, subsidiary, or associate company; or

(B) any legal or consulting firm that has or had any transaction with the company, its holding, subsidiary, or associate company amounting to ten per cent or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors, or its holding, subsidiary, or associate company, or that holds two per cent or more of the total voting power of the company; or

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(f)(1) An independent director shall possess appropriate skills, experience, and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations, or other disciplines related to the company's business.

(2) None of the relatives of an independent director, for the purposes of sub-clauses (ii) and (iii) of clause (d) of sub-section (6) of [Section 149](#), -

(i) is indebted to the company, its holding, subsidiary, or associate company, or their promoters, or directors; or

(ii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary, or associate company, or their promoters, or directors of such holding company,

for an amount of fifty lakhs rupees, at any time during the two immediately preceding financial years or during the current financial year.

“Key Managerial Personnel or KMP” means Key managerial personnel as defined under the Companies Act, 2013, and includes:

(i) the Chief Executive Officer or the managing director, or the manager;

(ii) the company secretary;

(iii) the whole-time director;

(iv) the Chief Financial Officer;

(v) such other officer, not more than one level below the directors, who is in whole-time employment, designated as key managerial personnel by the Board; and

(vi) such other officer as may be prescribed]

“Policy” means the Nomination and Remuneration Policy.

“Senior Management” means personnel of the Company who are members of its core management team, excluding the Board of Directors.

5. MEMBERSHIP

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- i. The Committee shall consist of a minimum of 3 Non-Executive Directors, the majority of them being independent directors.
- ii. The quorum shall be either two members or one-third of the members of the Committee, whichever is higher.
- iii. Membership of the Committee shall be disclosed in the Annual Report.
- iv. The term of the Committee shall be continued unless terminated by the Board of Directors.

6. CHAIRPERSON

- i. The Chairperson of the Committee shall be an Independent Director.
- ii. The Chairperson of the Company may be appointed as a member of the Committee, but shall not be the Chairperson of the Committee.
- iii. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

7. FREQUENCY OF MEETING

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

8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

9. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings shall be recorded as minutes and signed by the Chairperson of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meetings.

10. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMP, AND SENIOR MANAGEMENT

(i) Appointment criteria and qualifications

- a) The Committee shall identify and ascertain the ethical standards of integrity, qualification, expertise, and experience of the person for appointment as Director, KMP, or at a Senior

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Management level and recommend to the Board his / her appointment.

- b) The Committee shall ensure that the person so appointed as Director/ Independent Director/ KMP/ Senior Management Personnel shall not be disqualified under the Companies Act, 2013, rules made thereunder, or any other enactment for the time being in force.
- c) The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder, and any other enactment for the time being in force which applies to the Company.
- d) For every appointment of an Independent Director, the Nomination and Remuneration Committee shall ensure that name of the person is included in the data bank of Independent Directors with Indian Institute of Corporate Affairs and shall evaluate the balance of skills, knowledge and experience on the Board and based on 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 a description. To identify suitable candidates, the Committee may:
 - Use the services of external agencies, if required.
 - Consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - Consider the commitments of the candidates.
- e) A person should possess adequate qualifications, expertise, and experience for the position for he/she is considered for appointment. The Committee has discretion to decide whether the qualification, expertise, and experience possessed by a person are sufficient/satisfactory for the position concerned.
- f) The Board of Directors may have a combination of Directors from the different areas/fields like Production, Law, Business Administration, Management, Quality Assurance, Finance, Sales and Marketing, Supply chain, Research and Development, Human Resources, etc., or as may be considered appropriate.

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(ii) Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder or any other reasonable ground 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.

(iii) 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 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, subject to approvals from shareholders of the Company (if applicable).

(iv) Letter of appointment

Each Director/KMP/Senior Management Personnel is required to sign the letter of appointment with the Company, containing the terms of appointment and the role assigned in the Company.

11. POLICY RELATING TO THE REMUNERATION FOR THE DIRECTORS, KMP, AND SENIOR MANAGEMENT PERSONNEL

The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain, and motivate Directors, Key Managerial Personnel, and other Senior Management Personnel.

The Directors, Key Managerial Personnel, and other senior officials' salary shall be based on & determined by the individual person's responsibilities and performance and in accordance with the limits as prescribed statutorily, if any.

The Nomination and Remuneration Committee determines individual remuneration packages for Directors, KMPs and Senior Officials of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines. The Committee consults with the Chairman of the Board as it deems appropriate. Remuneration of the Chairman is recommended by the Committee to the Board of the Company.

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(i) General:

- a) The remuneration/compensation/commission, etc. shall be recommended by the Committee to the Board, which shall be approved by the Board and by the shareholders and Central Government, wherever required.
- b) The Directors may receive remuneration either by way of monthly payment or at a specified percentage of Net Profits of the Company or partly by one way and partly by other or sitting fees for attending meetings of the Board or Committee thereof.
- c) The monthly payment shall have a breakup as basic salary and quantum of allowances and perquisites, including but not limited to the employer's contribution to P.F., pension scheme, House rent allowance, conveyance allowance, leave travel allowance, Contribution to Gratuity Fund, etc.
- d) Term/Tenure of the Directors shall be as per the Company's policy and subject to the provisions of the Act.

(ii) Remuneration to Directors/ Whole-time Director/Managing Director:

The remuneration (salary/commission/fee etc.) payable to the Directors/ Whole-time Director/Managing Director will be within the percentage/slabs/conditions laid down in the provisions of the Sections 196, 197, 198 and other applicable provisions, if any, read with Schedule V of the Companies Act, 2013 which shall be subject to the approval of the shareholders of the Company and Central Government, wherever applicable.

(iii) Remuneration to KMPs / Senior Management Personnel, etc.

The Remuneration to be paid to KMPs/ Senior Management Personnel shall be based on the experience, qualification, and expertise of the related personnel and governed by the limits, if any, prescribed under the Companies Act, 2013, and rules made thereunder or any other enactment for the time being in force.

12. EVALUATION/ ASSESSMENT OF DIRECTORS/ KMPs/ SENIOR MANAGEMENT PERSONNEL OF THE COMPANY

The evaluation/assessment of the Directors, KMPs, and the Senior Management Personnel of the Company is to be conducted on an annual basis, as required.

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The following criteria may assist in determining how effective the performance of the Directors/KMPs/Senior officials has been:

- Leadership & stewardship abilities
- Contributing to clearly defining corporate objectives & plans
- Communication of expectations & concerns clearly with subordinates
- Obtain adequate, relevant & timely information from external sources
- Review & approval of achievement of strategic and operational plans, objectives, and budgets
- Regular monitoring of corporate results against projections
- Identify, monitor & mitigate significant corporate risks
- Assess policies, structures & procedures
- Direct, monitor & evaluate KMPs, Senior Management Personnel
- Review management's succession plan
- Effective meetings
- Assuring appropriate board size, composition, independence, and structure
- Clearly defining roles & monitoring activities of committees
- Review of the corporation's ethical conduct

Evaluation of the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Non-Independent Directors in a separate meeting of the Independent Directors.

The Executive Director/Non-Independent Directors, along with the Independent Directors, will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

13. AMENDMENTS

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This Policy may be amended by the Board at any time and is subject to amendments to the Companies Act, 2013 (the Act 2013) and rules framed thereunder.

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