

DIGJAM

NOMINATION
AND
REMUNERATION
POLICY

> INTRODUCTION

The Nomination and Remuneration Policy (**“the Policy” or “this Policy”**) provides framework for nomination and appointment of Directors, KMPs and Senior Management and their remuneration. The NRC Policy has been formulated by the Nomination and Remuneration Committee (**“the Committee”**) and approved by the Board of Directors in accordance with the provisions of Section 178(3) of the Companies Act, 2013 (**“the Act”**) and Regulations 17 and 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“the Listing Regulations”**).

Appointment, re-appointment and criteria for remuneration of directors, key managerial personnel (KMP), senior management and other employees shall be in compliance with the provisions and procedure(s) laid down under the Act and the Listing Regulations.

> OBJECTIVE OF THE COMMITTEE:

The Committee shall:

- i. 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.
- ii. Formulation of criteria for evaluation of the Independent Director and to carry out evaluation of every Director’s performance and to provide necessary report to the Board for further evaluation.
- iii. Devising a policy on Board diversity.
- iv. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- v. To provide Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- vi. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- vii. Ensure that the level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- viii. 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.
- ix. To perform such other functions as may be necessary or appropriate for the performance of its duties.

To develop a succession plan for the Board and to regularly review the plan.

> DEFINITIONS

- I. **“Act”** means the Companies Act, 2013, including any amendment or modification thereof read with rules framed thereunder.
- II. **“Applicable Law”** means any law, rules, circulars, guidelines or standards issued by Securities Exchange Board of India, Ministry of Corporate Affairs and The Institute of Company Secretaries of India under which the preservation of the Documents has been prescribed.
- III. **“Board”** means the Board of Directors of the Company as constituted/re-constituted from time to time.
- IV. **“Company”** means “Digjam Limited”
- V. **“Compliance officer”** means the Company Secretary who is responsible to perform its duties under Section 205 of the Companies Act, 2013 read with Regulation 6 of the SEBI (LODR) Regulations, 2015.
- VI. **“Committee”**
Committee means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.
- VII. **“Director”** means a person as defined in Section 2(34) of the Companies Act, 2013 and presently as appointed as Director of the Company.
- VIII. **“Financial Year”** shall have the same meaning as assigned to it under Section 2(41) of the Companies Act, 2013.
- IX. **“Independent Director”**
As provided under the Companies Act, 2013, ‘Independent director’ shall mean a non-executive director, other than a nominee director of the Company:
 - 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. Apart from receiving directors’ remuneration, has or had no pecuniary relationship 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 has or had pecuniary relationship or transaction with the Company, its holding, subsidiary or associate Company, or their promoters, or directors, amounting to two percent. or more of its gross turnover or total income or fifty lakh rupees or such a higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e. who, neither himself nor any of his relatives —
 - i. holds or has held the position of key managerial personnel or is or has been 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;
 - ii. is or has been an employee or proprietor or a 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 a 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 non-profit 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
- f. who possesses such other qualification as may be prescribed under the applicable statutory provisions/ regulations
- g. is a material supplier, service provider or customer or a lessor or lessee of the Company;
- h. who is not less than 21 years of age.

x. “Key Managerial Personnel”

Key Managerial Personnel (KMP) means-

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the Whole-Time Director;
- (iii) the Company Secretary;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed under the applicable statutory provisions/ regulations

XI. “Nomination and Remuneration Committee”

It mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.

XII. **“Policy”** means the Policy on Nomination and Remuneration Policy.

XIII. **“Remuneration”**

It 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.

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.

Guiding Principles

The Policy ensures that

- i. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully
- ii. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and
- iii. Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

XIV. **“Senior Management”**

It mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as key managerial personnel, other than the board of directors, by the listed entity.

The terms and expressions used but not defined herein shall have the same meaning as assigned to those terms under Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable laws or Regulations, as the case may be.

➤ **APPLICABILITY:**

The Policy is applicable to:

- i. Directors (Executive and Non -Executive)
- ii. Key Managerial Personnel
- iii. Senior Management Personnel
- iv. Employees

DIGJAM LIMITED

Nomination and Remuneration Policy

➤ CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE:

The Board has the power to constitute/ reconstitute the Committee from time to time in order to make it consistent with the Company's policy and applicable statutory requirements. At present, the Nomination and Remuneration Committee comprises of following Directors:

- i. Mr. Duraiswamy Gunaseela Rajan, Chairman (Non -Executive Director and Independent Director)
- ii. Mr. Ajay Agarwal, Member (Non -Executive Director)
- iii. Ms. Sudha Bhushan, Member (Non- Executive Director and Independent Director)

➤ MEMBERSHIP:

- a. The Committee shall consist of a minimum of 3 non-executive directors, at-least two-third of the director shall be independent director.
- b. Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c. Membership of the Committee shall be disclosed in the Annual Report.
- d. Terms of the Committee shall be continued unless terminated by the Board of Directors.

➤ CHAIRMAN:

- a. Chairman of the Committee shall be an Independent Director.
- b. Chairperson of the Company may be appointed as a member of the Committee but shall not be Chairman of 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 Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

➤ FREQUENCY OF MEETINGS:

The Committee shall meet at such regular intervals as may be required. However, Committee shall meet at least once in a Financial Year.

➤ CRITERIA FOR NOMINATION

A formal and transparent selection process is critical to gain confidence and trust of all stakeholders, to improve understanding and efficiency of processes in practice. Keeping the said guiding principle in sight, the Committee has formulated a suggestive list of criteria for appointment of a person as a

director, KMP or a member of senior management of the Company, as follows:

- Incumbents should meet ethical standards of integrity, probity and Digjam values and culture of good governance.
- Exercising responsibilities in a *bona fide* manner in the best interest of the Company.
- Required academic qualifications and relevant professional experience for the specified job role.

In case of directors:

- Suitability for role, board balance and composition, right mix of skills background and experience, experience of dealing with strategic issues, sound understanding of business, have long term perspectives, capacity for independent thought and ability to fulfil required time commitments.
- Nature of existing positions held by the appointee including other directorships or relationships and the impact they may have on appointee's ability to exercise independent judgment.

In case of independent directors:

- Independent directors are required to comply with prescribed criteria of 'independence' as defined under Regulation 16(1)(b) of the Listing Regulations and section 149(6) of the Act.
- An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board 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.
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of 3 (three) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- At the time of appointment of Independent Director(s) it should be ensured that number of Boards on which such Independent Director serves is restricted to 7 (seven) listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act or the SEBI Listing Regulations.

In case of KMPs and member of senior management:

- Age, qualifications, skills, industry experience, background, special achievements, contribution towards effectiveness of the organization as a whole and operational efficiency in the relevant functional area.

- Demonstrable leadership qualities, strategic thinking and facilitation skills, commitment to role, no conflict of interest, transparent, unbiased and other qualities required to operate successfully in the position.

For identification of suitable candidature, amongst other sources, the Company may use services of external agencies, if required.

➤ **TERM / TENURE:**

The Term / Tenure of the Directors shall be governed as per provisions of the Companies Act, 2013 and rules made there under as amended from time to time.

1. *Managing Director/Whole-time Director/Manager (Managerial Person):-* The Company shall appoint or re-appoint any person as its Managerial Person for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
2. *Independent Director:* - 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 appointment on the passing of a special resolution by the Company and disclosure of such appointment in the Board's Report. 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. At the time of appointment of Independent Director(s) it should be ensured that number of Boards on which such Independent Director serves is restricted to 7 (seven) listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act or the SEBI Listing Regulations.

➤ **EVALUATION:**

The Committee shall carry out an evaluation of the performance of every Director, KMP and Senior Management at regular interval (yearly).

➤ **REMOVAL:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations or any other reasonable ground, the Committee may recommend to the Board for removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

➤ **RETIREMENT:**

DIGJAM LIMITED

The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

➤ **CRITERIA FOR EVALUATION OF THE BOARD:**

Following are the Criteria for evaluation of performance of the Board:

1. Executive Directors:

The Executive Directors shall be evaluated on the basis of targets/Criteria given to executive Directors by the Board from time to time

2. Non-Executive Director:

The Non-Executive Directors shall be evaluated on the basis of the following criteria i.e. whether they:

- a) act objectively and constructively while exercising their duties;
- b) exercise their responsibilities in a bona fide manner in the interest of the Company;
- c) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- d) (d) do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- e) refrain from any action that would lead to loss of his independence
- f) inform the Board immediately when they lose their independence,
- g) assist the Company in implementing the best corporate governance practices.
- h) strive to attend all meetings of the Board of Directors and the Committees;
- i) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- j) strive to attend the general meetings of the Company;
- k) keep themselves well informed about the Company and the external environment in which it operates;
- l) do not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- m) moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest.
- n) abide by the Company's Memorandum and Articles of Association, Company's policies and procedures including code of conduct, insider trading etc.

➤ **POLICY ON BOARD DIVERSITY:**

The Board of Directors shall have the optimum combination of Directors from the different

areas/fields like production, Management, Quality Assurance, Finance, Sales and Marketing, Supply chain, Research and Development, Human Resources etc. or as may be considered appropriate. The Board shall have at least one Board member who has accounting or related financial management expertise and financially literate.

➤ **SUCCESSION PLANNING**

In terms of Regulation 17(4) of the Listing Regulations, Board of every listed Company is required to ensure that Succession Plan is in place for orderly succession of directors, KMPs and members of senior management, so as to ensure that interests of investors of Company do not suffer due to sudden or unplanned gaps in management the Company.

The Company has developed action plan to ensure orderly succession of directors and key executives of the Company.

As part of Succession Planning, the Committee reviews leadership and management needs of the Company, keeps track of key positions due for retirement (within one year), Company's readiness to mitigate risks on account of attrition, new vacancies due to growth plans, or in the unfortunate events like death or disability.

The Committee shall review, approve and aid the Board in succession and emergency preparedness plan for directors and key executives as may be identified, from time to time. The abovementioned criteria may be applied for such identification, evaluation and appointment.

➤ **REMUNERATION TO DIRECTORS, KMP AND MEMBER OF SENIOR MANAGEMENT:**

The Remuneration framework of the Company enshrines guiding principles such as, alignment of remuneration with long term interests of the Company and its shareholders, create a linkage to corporate and individual performance, compensation is structured to promote culture of meritocracy and provide an effective and market competitive compensation structure that attracts, retains and motivates best talent.

The remuneration is guided by external competitiveness and internal parity through benchmarking surveys.

A. Remuneration of executive director, KMP and member of senior management

The Board, on the recommendation of the Committee, shall consider and approve remuneration payable to Executive Directors of the Company within the overall limits approved by the shareholders.

The remuneration is broadly divided into fixed and variable components. The remuneration structure includes but may not be limited to salary, allowances, perquisites, amenities and retiral

benefits as per law/ rules of the Company, performance Incentive, Profit related Commission (applicable in case of Executive Directors) and employee stock options.

At the time of appointment or re-appointment, the remuneration is mutually agreed between the Executive Director and the Company (which includes the NRC and the Board), within the overall limits prescribed under the Companies Act, 2013 and the rules made thereunder. The remuneration is subject to approval of the Members of the Company.

If in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Directors, including the Managing Director or Whole-time Director or Manager in accordance with the provisions of the Act and Schedule V thereunder.

If any Director or Manager draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act, he/ she shall refund such sums to the Company within two years or such lesser period as may be allowed by the Company, and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless approved by the shareholders by a special resolution within two years from the date the sum becomes refundable.

The Board, on the recommendation of the Committee, shall review and approve remuneration payable to KMPs of the Company.

Internally, performance of members of senior management will be assessed based on the performance points (as may be decided by NRC and Board from time to time) achieved. Variable Pay increase will be calculated using a combination of individual performance and business performance. As per prevailing process and practice of the Company, the Committee may recommend about increase, restructure and/or other suggestions in respect to remuneration of senior management as it thinks appropriate considering the overall performance of senior management.

B. Remuneration to / Criteria for making payment to non-executive directors

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.

Independent Directors ("ID") and Non-Independent Non- Executive Directors ("NED") may be paid sitting fees (for attending the meetings of the Board and of committees of which they may be members) and commission within regulatory limits. Quantum of sitting fees may be subject to review on a periodic basis, as required.

Within the parameters prescribed by law, the payment of sitting fees and commission will be recommended by the NRC and approved by the Board.

Overall remuneration (sitting fees and commission) should be reasonable and sufficient to attract, retain and motivate Directors aligned to the requirements of the Company (taking into consideration the challenges faced by the Company and its future growth imperatives).

Overall remuneration practices should be consistent with recognized best practices.

The aggregate commission payable to all the NEDs and IDs will be recommended by the NRC to the Board based on Company's performance, profits, return to investors, shareholder value creation and any other significant qualitative parameters as may be decided by the Board.

The NRC will recommend to the Board, the quantum of commission for each Director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and committee meetings, individual contributions at the meetings and contributions made by Directors other than in meetings.

In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/Board committee meetings, general meetings, court convened meetings, meetings with shareholders/creditors/ management, site visits, induction and training (organized by the Company for Directors) and in obtaining professional advice from independent advisors in the furtherance of his/her duties as a director.

C. Remuneration of Other Employees

Employees are assigned grades according to their qualifications, work experience, competencies as well as their roles and responsibilities in the Company. Individual remuneration is determined within the appropriate grade and is based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

The remuneration is broadly divided into fixed and variable components. The remuneration structure includes but may not be limited to salary, allowances, perquisites, amenities and retiral benefits as per law/ rules of the Company, performance Incentive and employee stock options.

The Talent Council of the Company, on an annual basis, reviews and approves overall remuneration payable to employees.

D. Stock Options to Employees / Directors

At the discretion of the Board, the Committee will devise, monitor the Employees Stock

Schemes and give its recommendation about allotment of options, grant, vest and exercise of stock options and/or similar rewards to the eligible directors and employees, as may be permitted under the applicable Law and approved Schemes.

➤ **MINUTES OF COMMITTEE MEETING:**

Proceedings of all meetings must be minuted and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.

➤ **DEVIATION FROM THIS POLICY:**

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.