

NOMINATION AND REMUNERATION POLICY

1. Introduction:

Pursuant to provisions of the Companies Act, 2013 and the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is required to define general guidelines for the Company's incentive pay to the Board of Directors, Key Managerial Personnel and other Employees of the Company.

The Policy is divided into separate sections for Executive and Non-Executive Directors, Key Managerial Personnel and other Employees of the Company. The remuneration of the Directors, Key Managerial Personnel and Senior Management Personnel is considered and recommended by the Nomination and Remuneration Committee under delegated powers from the Board of Directors of Sona Hi Sona Jewellers (Gujarat) Limited ("Company").

Company's underlying objective is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Company. This objective has been and continues to be applied as consistently and fairly as possible to all Company's personnel over a prolonged period of time. Only in this way, the Company will be able to attract, retain and motivate high caliber executives and employees, who can perform to the highest levels of expectations.

The Board of Directors of the Company on recommendation of Nomination and Remuneration Committee of the Board has approved the Remuneration Policy of the Company. This revised Policy includes the role of the Nomination and Remuneration Committee to formulate the criteria for determining qualifications, positive attributes and independence of a Director while recommending the remuneration of Directors, KMPs and Senior Management Personnels of the Company and recommend such appointment and assist the Board in ensuring the nomination process.

Further, SEBI Committee on Corporate Governance, which was formed under the Chairmanship of Mr. Uday Kotak had recommended various amendments and modifications in the Listing Regulations with the aim of improving standards of corporate governance of listed companies in India. Considering the said recommendations, SEBI has issued the SEBI (Listing Obligation and Disclosure Requirements) (Amendment) Regulations, 2018 ("Amended Listing Regulations") vide notification dated 9th May, 2018.

2. Definitions:

"Listing Regulations" means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligation and Disclosure Requirements) (Amendment) Regulations, 2018 and amendments thereto including any statutory modification(s) or re-enactment(s) thereof.

“**Act**” means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

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

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

“**Key Managerial Personnel (KMP)**” means

- i. Managing Director or Chief Executive Officer or Manager and in their absence Whole-Time Director;
- ii. Chief Financial Officer;
- iii. Company Secretary;
- iv. 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.

“**Senior Management Personnel**” means officers/personnel of the Company who are members of core management team excluding Board of Directors and normally shall comprise all members of management one level below the Chief Executive Officer/Managing Director/Whole-Time Director/Manager (including Chief Executive Officer/Manager, in case they are not part of the board) and shall specifically include Company Secretary and Chief Financial Officer.

3. Objectives and purpose of this Policy:

- The purpose of this Policy is to ensure that Directors, KMPs and Senior Management Personnels are remunerated in a way that reflects the Company’s long-term strategy. Consistent with this, a high proportion of Directors’ total potential remuneration has been, and will be, strongly linked to the Company’s long-term performance;
- To align individual and team reward with business performance in both the short term and long term;
- To encourage executives to perform to their fullest capacity;
- To be competitive and cost effective;

- To formulate the criteria for identification and selection of the suitable candidates for the various positions in Senior Management and also candidates who are qualified to be appointed as Director on the Board of Directors of the Company;
- To recommend a Policy, relating to the remuneration for the Directors, Key Managerial Personnel, Senior Management Personnel and other employees of the Company;
- To make recommendations to the Board on appropriate performance criteria for the Directors and carry on the performance evaluation of the Directors;
- To identify ongoing training and education programs for the Board to ensure that Non-Executive Directors are provided with the adequate information regarding the options of the business, the industry and their legal responsibilities and duties;
- To assist the Board in ensuring Board nomination process with the diversity of gender, thought, experience, knowledge and perspective in the Board, in accordance with the Board Diversity policy.
- To recommend to the Board, all remuneration, in whatever form, payable to Senior Management

4. Nomination and Remuneration Committee (“the Committee”) –

The Committee comprises of Non-Executive, Independent Directors on the Board of the Company duly constituted under the provisions of the Act and the Listing Regulations.

The quorum for the Committee shall be either two members or one third of the members of the Committee, whichever is greater, including at least one Independent Director in attendance.

The Committee at its meeting shall formulate the criteria for determining qualifications, positive attributes and independence of a Director while recommending the remuneration of Directors, KMPs and Senior Management Personnels of the Company. The Committee shall recommend the remuneration after having regard to the below criteria/principles—

- (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, KMPs and Senior Management Personnels 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.

5. Criteria for selection of members on the Board of Directors and candidates for KMP and Senior Management Personnel

The Committee has adopted the following criteria for selection of member on the Board of Directors of the Company and also candidates eligible to be appointed as KMPs and Senior Management Personnels of the Company:

A) Criteria for selection of Directors

Before making any recommendation to the Board for appointment of any Director, the Committee shall ensure that:

- a) the candidate possesses positive attributes / qualities such as Leadership, Industrialist, Business Advisor or such other attributes which in the opinion of the Committee the candidate possess and are in the interest of the Company;
- b) the candidate shall be free from any disqualifications as provided under Sections 164 and 167 of the Act, the provisions of Listing Regulations and other applicable provisions, as may be amended from time to time;
- c) the candidate meet the conditions of being independent as stipulated under the Act and Listing Regulations in case of appointment of an Independent Director;
- d) the candidate possesses appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations, infrastructure or such other areas or disciplines which are relevant for the Company's business.

Term / Tenure

a) Managing Director/Whole-Time Director:

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

b) 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 re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Directors' Report. No Independent Director shall hold office for more than two consecutive terms of up to maximum of 5 years each, 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 it should be ensured that number of Boards on which such Independent Director serves is restricted to 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.

For the purpose of determining “maximum number of directorship”, the count for the number of listed entities on which a person is a director / independent director shall be only those whose equity shares are listed on a stock exchange.

Removal

Due to reasons for any disqualification mentioned in the Act and rules made thereunder or under any other applicable Act, rules and / or Listing Regulations, 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 Act and Listing Regulations and the Policy of the Company.

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.

B) Criteria for selection of KMPs and Senior Management Personnel

The Committee shall, before making any recommendation to the Board for appointment, should ensure that the candidate has the attributes set forth below:

- a) A person to be appointed as KMP or at Senior Management level should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position;
- b) The candidate should possess qualities that demonstrate leadership skills, decision making skills, effective communication, hard work, commitment and such other attributes which in the opinion of the Committee the candidate possess and are in the interest of the Company.

If the Committee finds fit and is of opinion that the candidate meets the above criteria for appointment (as Director on the Board or in Senior Management), the Committee shall make its recommendation to the Board.

6. Remuneration Policy for Directors, KMPs and other Employees

A) Remuneration of Managing Director, Whole-Time Director and Manager:

The Committee may consider various factors while considering the remuneration of the Managing Director, Whole-Time Director and Manager (wherein there is no Managing Director), provided that any remuneration considered by the Committee shall be in accordance and within the limits stipulated under Section 197 of the Companies Act, 2013 read with rules made thereunder read with Listing Regulations (including any statutory modification(s) or re-enactment thereof).

The fees or compensation payable to Executive Directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if-

- (i) the annual remuneration payable to such executive director exceeds ` 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or
- (ii) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the listed entity:

However the approval of the shareholders for above mentioned specified limits shall be valid only till the expiry of the term of such director.

Explanation: For the purposes of this clause, net profits shall be calculated as per Section 198 of the Act.

B) Remuneration of Non-Executive Directors and Independent Directors:

- i. The remuneration payable to each Non-Executive Director (including Independent Directors) is based on the remuneration structure as determined by the Board and is revised from time to time, depending on individual contribution, the Company's performance, and the provisions of the Act read with the rules made thereunder and Listing Regulations;
- ii. The remuneration to the Non-Executive Directors (including Independent Directors) may be restricted to the sitting fees for attending meetings of the Board of Directors and meetings of Audit Committee and Nomination and Remuneration Committee, provided that any sitting fees paid to the Independent Director shall not be less the sitting fees paid to Non-Executive Directors;
- iii. The remuneration to the Non-Executive Directors (including Independent Directors) may be paid within the monetary limits approved by shareholders and as per computation of the net profits of the Company as per the applicable provisions viz. Sections 197, 198 and Rules made thereunder read with Schedule V of the Act;

- iv. The approval of shareholders by special resolution shall be obtained every year, in the cases wherein the annual remuneration payable to a single Non-Executive Director (including Independent Directors) exceeds fifty per cent of the total annual remuneration payable to all Non-Executive Directors, giving details of the remuneration thereof.
- v. Independent Directors shall not be eligible for stock options of the Company, if any.

Any incidental expense incurred by the Directors with relation to the participation in the meetings of the Board and Committees of the Board shall be reimbursed.

C) Remuneration of KMPs and other Employees:

- i. The Company assesses the remuneration policy, to ensure that the remunerations offered are reasonable, well balanced, competitive and match with industry norms.
- ii. The fixed basic salary forms the base for the assessment of various additional benefits as parts of the managers' total remuneration.
- iii. The Company's further growth and profitability depend on the employees' efforts to ensure the continuous development of the operations and improvement in profitability.
- iv. Benefits in kind and other special schemes:

Senior executives will normally be given the benefits in kind that are common market practice, i.e. telephone expenses, a laptop, free broadband connection and use, newspapers, Company car or car allowance and free parking as per Company Policy. There are no special restrictions on the type of other benefits that can be agreed upon.

- v. Performance Appraisal:

Annual Performance Appraisal of Senior Management and Employees of the Company shall be assessed by respective functional heads and approved by the Management of the Company based on performance and contribution of Senior Management and Employees to the Company. Performance Appraisal shall be done yearly through online employee portal of the Company. Every Senior Management and Employees of the Company shall submit the Performance Appraisal Form online for review and recommendation by the respective Appraisers, which shall then be processed and approved by the Management.

D) Content of Remuneration Packages:

Remuneration will incorporate fixed pay performance elements with both a short term and long term focus.

Remuneration packages may contain any or all of the following:

- annual salary based on conditions and the relevant market - with provision to recognize the value of the individuals' personal performance and their ability and experience;
- ad hoc rewards, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;
- bonuses - a lump sum payment related to achieving target achievement of identified business drivers and personal key performance indicators measured over a year.

7. Evaluation of performance of Directors

The Committee shall specify the manner for effective evaluation of performance of Board, its Committees and individual directors to be carried out either by the Board, the Committee or by independent external agency and review its implementation and compliance

A) Evaluation of the performance of Managing Director / Whole-Time Director

The performance of the Managing Director / Whole-Time Director of the Company may be carried out taking into consideration the performance of the Company vis-à-vis the budgets as well as performance of its competitors. Emphasis on achieving top line and bottom line targets, with no adverse qualification by the auditors in the accounts, may be made.

B) Evaluation of the performance of Non-Executive Directors and Independent Directors

The Committee while evaluating the performance of the Non-Executive Directors and Independent Directors may take into consideration various factors as mentioned below:

- a) Attendance at Meetings - attendance at Board Meetings, AGMs, Committee meetings;
- b) Other Directorships held by the Non-Executive Director – in listed or unlisted companies;
- c) Other companies in which Non-Executive Director is a Chairperson;
- d) Participation at Board / Committee meetings;

- e) Input in strategy decisions;
- f) Review of Financial Statements, risks and business performance;
- g) Time devoted towards discussion with Management;
- h) Review of Minutes – Board Minutes, Committee meeting minutes and AGM Minutes;
- i) Dedication;
- j) Preparedness & Participation;
- k) Team work;
- l) Contribution;
- m) Response;
- n) Commitment;
- o) Knowledge / Sharing information;
- p) Responsibilities;
- q) Suggestions during discussion.

Marks may be assigned for each of the above factors / criteria and based on the score achieved, the Committee may evaluate the performance of each Non-Executive Director and Independent Director.

8. Flexibility, judgment and discretion

The Committee is empowered to undertake quantitative and qualitative assessments of performance in reaching its decisions. This involves the use of judgment and discretion within a framework that is approved by, and transparent to, Shareholders.

The Committee considers that the powers of flexibility, judgment and discretion are critical to successful design and implementation of the Policy.

The Committee considers that an effective Policy needs to be sufficiently flexible to take account of future changes in the industry and in remuneration practice generally.

The Committee considers a wide range of factors when developing the Policy for Executive Directors. The Committee believes that it has a duty to shareholders to ensure that the Company is competitive so as to attract and retain the high caliber Executives required to lead the Company.

9. Policy review

This Policy is framed based on the provisions of the Act and rules thereunder and Listing Regulations.

In case of any subsequent changes in the provisions of the Act, Listing Regulations or any other applicable Rules and Regulations which makes any of the provisions in the Policy inconsistent with the Act or Regulations, then the provisions of the Act or Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Committee or Board of Directors of the Company as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Committee or Board of Directors of the Company. Such changes or modification in the Policy shall be approved by Board and in case such changes are recommended by the Committee, the same shall be approved by the Board accordingly.