

# **GOLDSTONE TECHNOLOGIES LIMITED**

## **Nomination and Remuneration Policy**

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The Board of Directors of Goldstone Technologies Limited (“the Company”) rechristened The existing Remuneration/Compensation Committee as; “Nomination and Remuneration Committee” at the Meeting held on August 01, 2014 with immediate effect, consisting of three (3) Non-Executive Directors of which majority are Independent Directors.

### **1. 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 Clause 49 under the Listing Agreement. The Key Objectives of the Committee would be:

- 1.1.** To advise the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 1.2.** To evaluate the performance of the members of the Board and the Board as whole and provide necessary report to the Board for further evaluation of the Board.
- 1.3.** To recommend to the Board the policy on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 1.4.** To retain, motivate and promote talent and to ensure long term retention of talented managerial persons and create competitive advantage.
- 1.5.** To devise a policy on Board diversity
- 1.6.** To develop a succession plan for the Board and to regularly review the plan;
- 1.7.** To develop a framework for performance evaluation of independent Directors and the Board as a whole.
- 1.8.** To develop a familiarization programme for newly inducted Directors.
- 1.9.** Policy on Board diversity

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### 2. DEFINITIONS

- 2.1. Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 2.2. Board** means Board of Directors of the Company.
- 2.3. Directors** mean Directors of the Company.
- 2.4. Key Managerial Personnel** means
- 2.4.1.** Chief Executive Officer or the Managing Director or the Manager;
  - 2.4.2.** Whole-time director;
  - 2.4.3.** Chief Financial Officer;
  - 2.4.4.** Company Secretary; and
  - 2.4.5.** such other officer as may be prescribed.
- 2.5. Senior Management** means Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads.
- 2.6. Remuneration** 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.

### 2.7 Interpretation

Word and expressions used in this policy shall have the same meanings respectively assigned to them in the following acts, listing agreement, regulations, rules etc..

- i) The Companies Act, 2013 or the rules framed thereon;
- ii) Listing Agreement with Stock Exchnages;
- iii) Securities Contracts (Regulation) Act, 1956;
- iv) Securities and Exchange Board of India (SEBI) Act, 1992;
- v) SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- vi) SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- vii) SEBI (Prohibition of Insider Trading) Regulations, 1992 and any other futher amendments thereto;

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### **3. ROLE OF COMMITTEE**

#### **3.1. Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee**

The Committee shall:

**3.1.1.** Formulate the criteria for determining qualifications, positive attributes and independence of a director.

**3.1.2.** Identify persons who are qualified to become Directors and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.

**3.1.3.** Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

#### **3.2. Policy for appointment and removal of Director, KMP and Senior Management**

##### **3.2.1. Appointment criteria and qualifications**

- a)** The Committee shall identify and ascertain the integrity, qualification, expertise experience and suitability of the person for appointment as Director, KMP or at senior Management level and recommend to the Board his / her appointment.
- b)** A person 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 and he is suitable for the concerned position.
- c)** The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

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### 3.2.2. 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 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. *However, if a person who has already served as an Independent Director for 5 years or more in the Company as on October 1, 2014 or such other date as may be determined by the Committee as per regulatory requirement; he/ she shall be eligible for appointment for one more term of 5 years only.*
  
- 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.

### 3.2.3. Evaluation

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

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### **3.2.4. Removal**

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

### **3.2.5. 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 and with the same remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

### **3.3. Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel**

#### **3.3.1. General:**

- a)** The remuneration / compensation / commission etc. to the Whole-time Directors, will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of Company and Central Government, as required.
- b)** The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
- c)** Increments or additions to the existing remuneration/ compensation structure may be recommended by the committee to the Board which should be within the slabs approved by the shareholders in the case of Whole-time Director.
- d)** Where any insurance is taken by the Company on behalf of its Whole-time Directors, Independent Directors, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration

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payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

#### **3.3.2. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:**

- a)** Fixed pay:  
The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The break up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.
- b)** Minimum Remuneration:  
If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- c)** Provisions for excess remuneration:  
If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to 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 permitted by the Central Government.

#### **3.3.3. Remuneration to Non- Executive / Independent Director:**

- a)** Remuneration / Commission:  
The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.
- b)** Sitting Fees:

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The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

- c)** Commission:  
Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.
- d)** Stock Options:  
An Independent Director shall not be entitled to any stock option of the Company.

#### **4. MEMBERSHIP**

- 4.1** The Committee shall consist of a minimum of 3 non-executive directors, majority of them being independent.
- 4.2** A Minimum of two (2) members shall constitute a quorum for the Committee meeting.
- 4.3** Membership of the Committee shall be disclosed in the Annual Report.
- 4.4** Term of the Committee shall be continued unless terminated by the Board of Directors.

#### **5. CHAIRPERSON**

- 5.1** Chairperson of the Committee shall be an Independent Director.
- 5.2** Chairperson of the Company may be appointed as a member of the Committee but shall not be the Chairman of the Committee.
- 5.3** In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- 5.4** 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.

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### **6. FREQUENCY OF MEETINGS**

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

### **7. COMMITTEE MEMBERS' INTERESTS**

**7.1** A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

**7.2** The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

### **8. SECRETARY**

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

### **9. VOTING**

**9.1** Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

**9.2** In the case of equality of votes, the Chairman of the meeting will have a casting vote.

### **10. NOMINATION DUTIES**

The duties of the Committee in relation to nomination matters include:

**10.1** Ensuring that there is an appropriate induction process in place for new Directors and members of Senior Management and reviewing its effectiveness;

**10.2** Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;



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- 10.3** Identifying and recommending Directors who are to be put forward for retirement by rotation.
- 10.4** Determining the appropriate size, diversity and composition of the Board;
- 10.5** Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- 10.6** Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- 10.7** Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from shareholder value addition, financial results business and compliance perspective;
- 10.8** Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- 10.9** Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- 10.10** Recommend any necessary changes to the Board; and
- 10.11** Considering any other matters, as may be requested by the Board.

#### **11. REMUNERATION DUTIES**

The duties of the Committee in relation to remuneration matters include:

- 11.1** to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate as elements of the remuneration of the members of the Board.
- 11.2** to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- 11.3** to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- 11.4** to consider any other matters as may be requested by the Board.
- 11.5** Professional indemnity and liability insurance for Directors and senior management.

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### **12. MINUTES OF COMMITTEE MEETING**

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

### **13. FRAMEWORK FOR PERFORMANCE EVALUATION OF INDEPENDENT DIRECTORS AND THE BOARD**

As per the provision of Clause 49, the Nomination and Remuneration Committee (the "Committee") shall lay down the evaluation criteria for performance evaluation of Independent Directors and the Board. Further, in terms of Clause 49, the Board is required to monitor and review Board evaluation framework.

The self-evaluation framework shall cover the Board as a whole i.e the Board itself, its Committee and individual directors and it shall facilitate the Board in assessing its own performance in order to identify its strengths and areas in which it may improve its functioning. To the end, the Nomination and Remuneration Committee shall, once in a year, undertake the evaluation processes as per criteria laid down under clause 13.2 and submit a report to the Board.

13.1 The Board shall consider the evaluation report of Nomination and Remuneration Committee and conduct a self-evaluation of the overall policies and processes of the board and its committee and effectiveness of corporate governance. It is the responsibility of the Chairman of the Board, supported by the Company Secretary of the Company, to organize the evaluation process (refer Exhibit 4 ) and act on its outcome.

13.2 The self-evaluation criteria for the Board, its committee and individual directors shall be broadly based on the following parameters:

#### **13.2.1 Board ;**

13.2.1.1 Degree of fulfillment of key responsibilities;

13.2.1.2 Board structure and composition;

13.2.1.3 Establishment and delineation of responsibilities to committees;

13.2.1.4 Effectiveness of Board processes, information and functioning;

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- 13.2.1.5 Board Culture and Dynamics;
- 13.2.1.6 Quality of relationship between the Board and the Management
- 13.2.1.7 Efficacy of communication with external stakeholders

#### **13.2.2 Committees of Board ;**

- 13.2.2.1 Degree of fulfillment of key responsibilities
- 13.2.2.2 Adequacy of committee composition
- 13.2.2.3 Effectiveness of meeting
- 13.2.2.4 Committee dynamics
- 13.2.2.5 Quality of relationship of the committee with the Board and the management

#### **13.2.3 Individual Directors ;**

- 13.2.3.1 Attendance
- 13.2.3.2 Contribution at meetings
- 13.2.3.3 Guidance/support to management outside Board/Committee meetings
- 13.2.3.4 Effectiveness as Chairman (applicable to Chairman of Board or its committees)

13.2.4. In addition to above, the Executive Directors shall be evaluated on the basis of performance targets/criteria fixed to them by the board from time to time.

13.3 The Directors are required to complete the evaluation forms and submit the same to the Chairman of Nomination and Remuneration Committee.

13.4 In terms of Section 134 of the Act, the Directors' Report should include a statement indicating the manner in which the Board has done formal annual evaluation of its own performance and that of individual Directors of the Company.

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#### **14. FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS**

As required by the provision of Schedule IV to the Act and the provision of Clause 49 of the Listing Agreement, 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) of the Company may participate in the programmed for providing inputs on products, sales and financial performance of the Company and budget, control process, etc.

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### **15. POLICY ON BOARD DIVERSITY**

#### **15.1 Purpose of this Policy:**

This Policy on Board Diversity (the “Policy”) sets out the Company’s approach to ensuring adequate diversity of thought, experience, knowledge, perspective and gender in its Board of Director ( the “Board”) and its devised in consultation with the Nomination and Remuneration Committee (the “Committee”) of the Board.

#### **15.2 Policy Statement:**

The Company recognizes and embraces the benefits of having a diverse Board of Director and sees increasing diversity at Board level as essential elements in maintaining a competitive advantage in the complex business in which it operates. It is recognized that a Board composed of appropriately qualified people with broad range of experience relevant to corporate management and the business of the Company is important to achieve effective corporate governance and sustained commercial success of the Company. A truly diverse Board will include and make good use of divergent knowledge skills, talent, regional and industry experience, background, race, gender and other distinctions amongst Directors. These diversities will be considered in determining the optimum composition of the Board and balanced appropriately. All Board appointments are made on the basis of needs and merit, in the context of the skills, experience, independence, knowledge and integrity which the Board as whole must pool to be effective.

#### **15.3 Review of the Policy:**

The Board and the Committee will review the Policy on a regular basis to ensure its efficiency, effectiveness and also comply with the companies Act and Clause 49 of the Listing Agreement.

#### **15.4 Policy of Board diversity:**

The Board of Directors shall have the optimum combination of Directors from the different areas / fields like Productions, Management , Quality Assurance, Finance, Sales and Marketing, Supply chain, Research and Development, Human Resources etc. or as may be considered appropriate.

The Board shall consist of at least one women Director and such number of Independent Director to fulfill the requirements of the Companies Act, 2013 and the Listing Agreement. The Board shall have at least one Board member who has accounting or related financial management expertise and least three members who are financially literate are familiar with rural development.