

# Sophia Exports Limited

## NOMINATION AND REMUNERATION POLICY

### BACKGROUND

This policy on the Nomination and Remuneration of Key Managerial Personnel, Directors, and Senior Management Personnel has been formulated and implemented by the Nomination and Remuneration Committee and by the Board of Directors.

This Policy is guided by the principles and objectives as enumerated in Section 178 (3) of the Companies Act, 2013 and the rules made thereunder, each as amended (the “**Act**”) and Regulation 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**Listing Regulations**”), to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company. The Board has constituted a Nomination and Remuneration Committee (the “**NRC**”) which is in compliance with the requirements of the Companies Act, 2013.

### APPLICABILITY

This policy applies to the following categories of Directors and employees of the Company:

Part I - Key Managerial Personnel

Part II - Non-executive Directors / Independent Directors

Part III -Senior Management and other employees

### DEFINITIONS

In this policy unless the context otherwise requires,-

- “**Act**” means the Companies Act 2013 and rules there under, as amended from time to time.
- “**Board**” means “Board of Directors” of Sophia Exports Limited.
- “**Company**” means Sophia Exports Limited.
- “**Committee**” or “**NRC**” means “Nomination and Remuneration Committee of the Board, constituted in accordance with the provisions of Section 178 of the Act and the Listing Regulations.
- “**Director**” means Director of the Company appointed in accordance with the Companies Act,

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2013.

- **“Independent Director”** means an Independent Director referred in section 149(6) of the Companies Act, 2013 read with Regulation 16(1)(b) of the Listing Regulations as amended from time to time.
- **“Key Managerial Personnel”** or **“KMP”** means person(s) appointed as such in pursuance of Section 203 of the Act read with Section 2(51) of the Act.
- **“Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- **“Other Employees”** means all the employees of the Company other than the Key Managerial Personnel and the Senior Management.
- **“Rules”** means the rules framed under the Act.
- **“Senior Management Personnel”** shall mean the personnel of the Company designated as Senior Management in accordance with the definition laid down under Explanation to Section 178 of the Act and Regulation 16(1)(d) of the Listing Regulations.
- **“Stock Options”** means the options given or to be given by the Company as per the prevalent Employees Stock Option Scheme/Plans of the Company.

Unless the context otherwise provides, terms not defined herein and used in this Policy, shall bear the same meaning as prescribed under the Act, the Listing Regulations or any other relevant law.

Where an employee is a Key Managerial Personnel as well as holds a Senior Management Position (such as CFO, CS, etc.), his/her terms of appointment shall be governed by both Part I and Part III of this Policy and in the event of any conflict, the stricter clause shall prevail.

### 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 Company’s Policies and applicable statutory requirements.
- The constitution of the Committee shall be as follows:
  - A) the committee shall comprises of at least three directors;
  - B) all directors of the committee shall be non-executive directors; and
  - C) at least two-thirds of the directors shall be independent directors.
- The Chairperson of the Committee shall be Independent Director; provided that the Chairperson of the Company, whether executive or non-executive, may be appointed as a member of committee and shall not chair such committee.

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- The quorum for a meeting of the NRC 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 Company Secretary of the Company shall act as Secretary of the Committee.
- The Chairperson of the Company shall be a permanent invitee of the committee.

### **OBJECTIVES AND PURPOSE OF POLICY**

Following objectives are inclusive of but not limited to;

- To guide the Board in relation to appointment and removal of Directors, KMP and Senior Management.
- 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, KMP and other employees.
- Formulation of criteria for evaluation of Independent Director and the Board.
- To evaluate the performance of the members of the Board.
- To recommend to the Board on Remuneration payable to the Directors, KMP and Senior Management.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

### **ROLE OF THE COMMITTEE**

The terms of reference of the Nomination and Remuneration Committee (NRC) are in accordance with the provisions of Section 178 of the Act, Regulation 19 read with Part D of Schedule II to the Listing Regulations and other applicable Regulations. The role of the Committee includes;

- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to the remuneration of the Directors, Key Managerial Personnel and other employees of the Company;
  - *For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent*

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*director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:*

- *use the services of an external agencies, if required;*
- *consider candidates from a wide range of backgrounds, having due regard to diversity; and;*
- *consider the time commitments of the candidates.*
- Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors;
- Specifying the manner for effective evaluation of performance of the Board of Directors, its Committees and individual Directors of the Company to be carried out either by the Board of Directors or by the Committee or by an independent external agency and review its implementation and compliance;
- Devising a policy on diversity of Board of Directors;
- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal;
- Recommending to the Board of Directors all remuneration, in whatever form, payable to senior management of the Company;
- Determining whether to extend or continue the term of appointment of an Independent Director of the Company, on the basis of the report of performance evaluation of Independent Directors of the Company; and;
- Discharge any other duties or responsibilities as may be prescribed by the applicable laws and any other function as is mentioned in the terms of reference of the Audit Committee or as may be delegated by the Board from time to time.

### **GENERAL QUALIFICATIONS AND ATTRIBUTES**

The prospective Director:

- Should meet the requirements of the Act, the Listing Regulations and other applicable laws for the time being in force.
- Should have the requisite qualifications, skills, knowledge, experience and expertise relevant or useful to the business of the Company.
- Should be a person who is capable of balancing the interests of the Company, its stakeholders.
- Is expected to:
  - Uphold ethical standards of integrity and probity.
  - Act objectively and constructively while exercising his/her duties.

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- Exercise his/her responsibilities in a bonafide manner in the interest of the Company.
- Devote sufficient time and attention for informed and balanced decision making.
- Refrain from any action that would lead to loss of his independence.
- Not abuse his/her position to the detriment of the Company or its shareholders or to gain direct or indirect personal advantage or advantage for any associated person.
- Avoid conflict of interest, and in case of any situation of conflict of interest, make appropriate disclosures to the Board.
- Assist the Company in implementing the best corporate governance practices.
- Exhibit his/her total submission to the limits of law in drawing up the business policies, including strict adherence to and monitoring of legal compliances at all levels.
- Strive to attend to the extent its possible, all meetings of the Board of Directors, Committees and shareholders.
- Participate constructively and actively in the committees of the Board in which they are members.
- Have ability to read and understand the financial statements.
- Protect confidentiality of the confidential and proprietary information of the Company.
- Abide by Company's memorandum and articles of association, Company's policies and procedures including code of conduct, insider trading guidelines etc.

NRC has the discretion to decide whether qualification, expertise, experience and attributes possessed by a person are sufficient/ satisfactory for the concerned position.

### **CHAIRPERSON**

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

### **FREQUENCY OF MEETINGS**

The Committee shall meet at least once in a year. Proceedings of all meetings must be minuted and signed by the Chairperson of the Committee. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meetings.

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## **COMMITTEE MEMBERS INTEREST**

A member of the Committee is not entitled to participate in the discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated.

## **VOTING**

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 NRC.

## **DISCLOSURES**

Disclosure about this Policy shall be made in compliance with the applicable laws.

## **REVIEW / AMENDMENT**

Based on the recommendation of the NRC, the Board may amend, abrogate, modify or revise any or all clauses of this Policy in accordance with the Act, Listing Regulations and/or any other applicable law or regulation. However, amendments in the Act or in the Listing Regulations shall be binding even if not incorporated in this Policy.

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## **PART I – KEY MANAGERIAL PERSONNEL**

Part I of this Policy comprises of two parts as under:

**PART A** - Managing Directors / Whole-Time Directors (“EDs”)

**PART B** - Chief Executive Officer, Chief Financial Officer, Company Secretary and other KMPs

### **PART A- MANAGING DIRECTORS / WHOLE-TIME DIRECTORS (“EDs”)**

#### **OBJECTIVES**

- Identify persons who possess appropriate qualifications, experience and attributes for appointment as EDs.
- The remuneration payable to the EDs is commensurate with their qualification, experience and capabilities and takes into account the past performance and achievements of such ED.
- A suitable component of remuneration payable to the EDs is linked to their performance, performance of the business and Company.

#### **SPECIFIC QUALIFICATIONS AND ATTRIBUTES**

In addition to the qualifications and attributes specified in ‘General Qualifications and Attributes’ above, the prospective Director satisfies the criteria set out under the applicable law including the Act and the Listing Regulations for eligibility to be appointed as ED.

#### **PROCESS OF APPOINTMENT / REAPPOINTMENT AND REMOVAL**

##### **Appointment**

The Committee shall identify suitable persons for appointment and recommend their appointment to the Board along with the terms of appointment and remuneration. The Board will consider recommendations of the Committee and approve the appointment and remuneration to be taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

##### **Removal**

Where the appointee is subjected to any disqualification(s) mentioned in the Act, Rules or under any other law, rules and regulations, code of conduct and/ or policies of the Company, NRC shall

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recommend to the Board his/her removal from the services of the Company.

The appointment or a re-appointment, if earlier rejected by the shareholders at a general meeting, shall be done only with the prior approval of the shareholders, the statement referred to under Section 102(1) of the Act, annexed to the notice to the shareholders, for considering the appointment or re-appointment of such a person earlier rejected by the shareholders shall contain a detailed explanation and justification by the Committee and the board for recommending such a person for appointment or re-appointment.

## **COMPONENTS OF REMUNERATION/ INCREMENTS**

Subject to the approval of Board the Remuneration may consist of:

- Fixed remuneration including perquisites and allowances and other benefits as per policy of the Company.
- Commission to EDs shall be based on the net profits of the Company and on the performance of the individual, terms of their appointment, business and the Company as a whole.
- Sitting Fee may be payable for attending the meetings of the Board and / or committees thereof.
- Any other incentive as may be applicable as per their terms of appointment.

### **Managing Director(s)/Whole-Time Director**

Normally, the remuneration to be paid to the Managing Director(s) / Whole-Time Director payable during the tenure of their appointment is determined by the shareholders of the Company. However, the actual amount of remuneration may vary from year to year, based on annual increment as approved by the shareholders upto specified/eligible limits as per laws. Annual increment will be granted by the Board on recommendation of NRC, based on the performance of the individual, performance of the business and the Company as a whole. The Board and the shareholders of the Company may approve changes in the remuneration from time to time.

*As of now it is not applicable to the Company.*



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## **PART B - CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND OTHER KMPs**

### **OBJECTIVES**

- Identify persons who possess appropriate qualifications, experience and attributes for appointment as Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), Company Secretary (“CS”) and other Key Managerial Personnel (“KMPs”).
- The remuneration payable to CEO, CFO, CS and other KMPs is commensurate with his/her qualification, experience and capabilities and takes into account the past performance and achievements of such individual.
- A suitable component of their remuneration is linked to his/her performance, performance of the business and the Company.

### **QUALIFICATIONS AND ATTRIBUTES**

- Should be a reasonable person with integrity and ethical standards.
- Have requisite qualification and experience as may be relevant to the task he/she is expected to perform.

NRC/ Board has the discretion to decide whether qualification, expertise, experience and attributes possessed by the person are sufficient/ satisfactory for the concerned position.

### **PROCESS OF APPOINTMENT AND REMOVAL**

#### **Appointment**

Appointment of KMPs (including terms and remuneration) shall be approved by the Board.

Where a KMP is in Senior Management, the appointment (including terms and remuneration) shall be recommended by the Committee to the Board for its approval.

#### **Removal**

Where KMP is subjected to any disqualification(s) mentioned in the Act, Rules or under any other applicable law, rules and regulations, Code of Conduct and/or Policies of the Company, the Board may remove such KMP from the services of the Company.

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Where KMP is in Senior Management, his/her removal shall be recommended by the Committee to the Board for its approval.

## **ELEMENTS/ COMPONENTS OF REMUNERATION**

Remuneration and other perquisites / facilities shall be governed by the policies and practices of the Company from time to time and as per the decided terms of appointment.

Remuneration may consist of:

- Fixed remuneration and other benefits as per policy of the Company.
- Variable remuneration based on the performance of the individual, the function and the Company as a whole, if includes in the terms of appointment.
- Any other incentive as may be applicable.

## **ANNUAL APPRAISAL AND INCREMENT**

Appraisal and increment of KMPs who are designated as Senior Management Employees shall be recommended by NRC for approval of the Board. For other KMPs, appraisal and increment shall be done by the Board / NRC. The following shall be taken into account for appraisal and increment:

- Individual's performance against Key Performance Indicators.
- The performance of individual, business function handled by the individual and Company.
- The criticality of the individual to the Company in his/her capacity as a Key Managerial Personnel.

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## **PART II – NON-EXECUTIVE DIRECTORS / INDEPENDENT DIRECTORS**

### **OBJECTIVES**

- Identify persons who meet the criteria for independence, if required, as set out under the Act and the Listing Regulations and possess appropriate qualifications, experience and attributes for appointment to a Company of our size.
- For every appointment of an independent director, the Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - use the services of an external agencies, if required;
  - consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - consider the time commitments of the candidates.
- The remuneration/commission payable to the Non-executive / Independent Directors takes into account the contributions of the Director to the performance and governance of the Company.

### **SPECIAL QUALIFICATIONS AND ATTRIBUTES FOR INDEPENDENT DIRECTORS**

In addition to the qualifications and attributes specified in ‘General Qualifications and Attributes’ above, the prospective Independent Director should meet the requirements of Schedule IV to the Act and other applicable provisions of the Act and rules made thereunder and the Listing Regulations. The prospective Independent Director shall have inclusion of his/her name in the data bank of Independent Directors created by ‘Ministry of Corporate Affairs’ (MCA) and being maintained by ‘Indian Institute of Corporate Affairs (IICA) in accordance with the provisions of the Companies (Appointment and Qualifications of Directors) Rules, 2014 of Act.

### **PROCESS OF APPOINTMENT AND REMOVAL**

#### **Appointment**

NRC shall identify suitable persons for appointment and recommend their appointment to the Board. The Board will consider recommendations of NRC and accordingly, approve appointment and remuneration of Non-executive and/or Independent Directors subject to approval of the

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shareholders of the Company.

The appointment of Independent Directors shall be formalized in accordance with the Act, Listing Regulations and other applicable laws.

## **Removal**

Where the appointee is subjected to any disqualification(s) mentioned in the Act, Rules or under any other law, rules and regulations, Code of Conduct and / or Policies of the Company, the Committee shall recommend to the Board for removal of the appointee from directorship of the Company.

## **ELEMENTS/ COMPONENTS OF REMUNERATION**

- Variable remuneration: Commission - As a % of the net profits of the Company as approved by the Board and/or shareholders of the Company as per applicable laws.
- Sitting fees for attending meetings of the Board and Committees thereof as recommended by NRC and approved by the Board inclusive of reimbursement of expenses for participation in the meetings of the Board and other meetings as per the act and Listing Regulations.

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## **PART III – SENIOR MANAGEMENT & OTHER EMPLOYEES**

### **OBJECTIVES**

- Identify persons who possess appropriate qualifications, experience and attributes for appointment in the Senior Management and Other Employees category.
- Remuneration payable to the Senior Management and other employees is commensurate with their qualification, experience and capabilities and takes into account their past performance and achievements.
- Depending on the level of the employee, a suitable component of remuneration is linked to performance of such individual employee, the performance of the business and the Company as per the HR Policy of the Company.

### **QUALIFICATIONS AND ATTRIBUTES**

- Should be a reasonable person with integrity and ethical standards.
- Senior Management: Should have the requisite qualification and experience as may be relevant to the task he /she is expected to perform.
- NRC has the discretion to decide whether qualification, expertise, experience and attributes possessed by a person are sufficient / satisfactory for the concerned Senior Management position.
- Other Employees: Qualification, expertise, experience and attributes will be determined by the Management as per the HR Policy of the Company.

### **PROCESS OF APPOINTMENT AND REMOVAL**

#### **Appointment**

- NRC shall identify suitable persons for appointment in the Senior Management and recommend to the Board their appointment alongwith the terms of appointment and remuneration.
- The Board will consider recommendation of NRC and approve the appointment alongwith the terms of appointment and remuneration.
- Appointments to positions other than the Senior Management will be made as per the Company's HR policy.

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## **Removal**

- Where an employee in the Senior Management is subjected to any disqualification(s) mentioned in the Act, Rules or under any other law, rules and regulations, Code of Conduct and/ or Policies of the Company, the Board may remove such employee from the services of the Company, on recommendation of the Committee.
- In case of other employees, the Management of the Company may terminate the services of such employee as per HR Policy of the Company.

## **ELEMENTS/ COMPONENTS OF REMUNERATION**

Remuneration and other perquisites/facilities shall be governed by the policies and practices of the Company from time to time. Remuneration may consist of:

- Fixed remuneration including perquisites and allowances and other benefits as per policy of the Company.
- Variable remuneration based on the performance of the individual, the function and the Company as a whole, if includes in the terms of appointment.
- Any other incentive as may be applicable.

## **ANNUAL APPRAISAL AND INCREMENT**

Appraisal and increment for the Senior Management shall be recommended by NRC for approval of the Board and for other employees, by the Senior Management or any other appropriate authorities after taking into account the following:

- Individual's performance against Key Performance Indicators.
- The performance of the individual, business function handled by the individual and Company.
- The criticality of the individual to the Company in his capacity as a member of the Senior Management or other employee category.

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