

NOMINATION AND REMUNERATION POLICY

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 Regulation 19 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

The Board of Directors ("**Board**") of Capillary Technologies India Limited at its meeting held on November 20, 2021 has approved and adopted the Policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management ("**Policy**") of the Company. The Policy shall become effective from the date of its adoption by the Board i.e. November 20, 2021.

2. Definitions

- i. Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- ii. Board means Board of Directors of the Company.
- iii. Directors mean Directors of the Company

2.1 **Key Managerial Personnel means:**

- i. Managing Director, or Chief Executive Officer or Manager;
- ii. Whole-time Director;
- iii. Chief Financial Officer;
- iv. Company Secretary; and
- v. Such other officer as may be prescribed.

2.2 "**Other Employees**" prescribed under the act means personnel of the Company who are members of its core management team being one level below the Board.

2.3 "**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;

2.4 "**Senior Managerial Personnel/ SMPs**" mean the personnel of the company who are members of its core management team excluding Board of Directors.



Normally, this would comprise all members of management one level below the chief executive officer, whole time director, managing director, manager and shall specifically include the company secretary and chief financial officer.

Objective:

The objective of the policy is to serve as a guiding charter to appoint qualified persons and ensure that:

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior management of the quality required to run the company successfully;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- 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.

3. The key objectives of the committee would be

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel (hereinafter referred to as "KMP"), Senior Managerial Personnel and other employees as may be prescribed under the Act.
- To identify the criteria for determining qualifications, positive attributes and independence of a director.
- To assess the independence of an independent director.
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- To recommend to the Board on Remuneration payable to the Directors, KMPs and other employees as may be prescribed under the Act.
- To provide to KMP and other employees as may be prescribed under the Act, rewards linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long-term sustainability of talented managerial persons and create competitive advantage.
- To develop a succession plan for the Board and to regularly review the plan.
- Such other key issues/matters as may be referred by the Board or as may be necessary in view of the provision of the Companies Act 2013 and Rules



thereunder and the SEBI Listing Regulations, whenever applicable.

Role of the committee:

- i. To formulate criteria for determining qualifications, positive attributes and independence of a Director.
- ii. To formulate criteria for evaluation of Independent Directors and the Board.
- iii. To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this policy.
- iv. To carry out evaluation of Director's performance.
- v. To recommend to the Board the appointment and removal of Directors and Senior Management.
- vi. To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
- vii. To extend or continue the term of appointment of an independent director based on the evaluation;
- viii. To devise a policy on Board diversity, composition, size.
- ix. Succession planning for replacing Key Executives and overseeing.
- x. 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.

To perform such other functions as may be necessary or appropriate for the performance of its duties.

4. Appointment and Removal of Director, Key Managerial Personnel and other employees

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or other employees and recommend his / her appointment, as per Company's Policy. For the purpose of identifying suitable candidates, the Committee may:
 - (i) Use the services of an external agency;
 - (ii) Consider candidates from a wide range of background, having due regard to diversity;
 - (iii) Consider the time commitments of candidates.
- b) A potential candidate should possess adequate qualification, expertise and



experience for the position he / she is being considered for appointment. The Committee has authority to decide whether the balance of skills, knowledge, qualification, expertise and experience, as well as the ethical and moral qualities possessed by a person is sufficient / satisfactory for the position.

- c) The Committee shall determine the suitability of appointment of a Director by ascertaining the 'fit and proper criteria' of the candidate. The candidate shall, at the time of appointment, as well as at the time of renewal of directorship, fill in such form as approved by the Committee to enable the Committee to determine the 'Fit and Proper Criteria'. Further, the proposed person is assessed against a range of criteria which includes but are not limited to:
- Personality, skills and professional knowledge
 - Knowledge and experience relevant to the business of the Company
 - Understanding of and experience in performing his roles and responsibilities
 - Independence of judgment
 - Educational and professional qualification(s)
 - Past performance and credentials, behavior & conduct
 - Ability to work individually as well as a member of team
 - Ability to represent the Company
 - Interaction and relationship with the other members of the Board, KMPs and key stakeholders
 - Board room conduct
 - Communication skills
 - Ethics and Values
- d) The Committee shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy-five years. Provided that the term of the person holding this position may be extended beyond the age of seventy-five years with the approval of shareholders by passing a special resolution, indicating the justification for extension of appointment beyond seventy-five years.
- e) The Committee shall ensure that there is an appropriate induction and training programme in place for new Directors, KMPs and SMPs.
- f) The Committee shall make 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.

- g) The Committee shall recommend any necessary changes to the Board.

5. Term/Tenure

a) **Managing Director/Whole-time Director:**

The Company shall appoint or re-appoint any person as its 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 re- appointment in the Company as Independent Director after the expiry of three years from the date of cessation as such in the Company. The Committee should take into consideration all the applicable provisions of the Companies Act, 2013 and the relevant rules, as existing or as may be amended from time to time.

6. Evaluation

The Committee shall formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company or engage with a third party facilitator in doing so yearly or at such intervals as may be considered necessary. The following criteria assists in determining how effective the performances of the Directors have been:

- i) Vision and clarity of roles & responsibility:

The Individual Director should have awareness of fiduciary and statutory requirements and a clearly articulated vision. This includes clarity of role as a member of the Board of the Company.



ii) Board Processes:

The quality of board processes such as decision making (i.e. how directors ensure they are well informed to be able to make the decisions in the best interest of the Company and its stakeholders) selection and induction etc.

iii) Engagement with Management:

How well the board engages with the management to ensure it is well supported and able to meet the needs of its members.

iv) Board dynamics:

At the heart are the board dynamics. It is the quality of individual relationships and dialogues that directly influences the quality of decision making and relationships with key stakeholders.

v) Frequency of participation:

The Individual should make him /her available for attending the Board meetings of the Company and be available for providing his/her guidance and support in case of need.

7. Removal

The Committee may recommend with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

8. Retirement

The Director, KMP and Other Employees 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, other employees in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

9. Policy for remuneration to Directors/KMP/Other Employees



I. Remuneration to Managing Director / Whole-time Directors:

- a) The Remuneration/ commission etc. to be paid to Managing Director / Whole-time Directors, etc. shall be governed as per provisions of the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force and the approvals obtained from the Members of the Company.
- b) The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.

II. Remuneration to Non- Executive / Independent Directors:

- a) The Non-Executive / Independent Directors may receive sitting fees and such other Remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- b) All the remuneration of the Non- Executive / Independent Directors (excluding Remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.
- c) An Independent Director shall not be eligible to get stock options and also shall not be eligible to participate in any share based payment schemes of the Company
- d) Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (b) above, if the following conditions are satisfied:
 - The Services are rendered by such Director in his capacity as the professional; and
 - In the opinion of the Committee, the director possesses the requisite



qualification for the practice of that profession.

Remuneration to Key Managerial Personnel and Other Employees:

The remuneration to Key Managerial Personnel and Other Employees, shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.

Fixed Pay

The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from time to time.

Incentive Pay

The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

10. Implementation

The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate.

11. Review

The policy shall be reviewed by the Nomination & Remuneration Committee at appropriate intervals and based on its recommendations; the Board may revise the same from time to time.

12. Scope and limitation

In the event of any conflict between the provisions of this Policy and the Companies Act, 2013, rules made there under, the SEBI Listing Regulations or any other statutory enactments or rules as maybe applicable, the provisions of Companies Act, 2013, rules made there under, the SEBI Listing Regulations or any other statutory enactments or rules shall prevail over this Policy and the part(s) so repugnant shall be deemed to be



severed from the Policy and the rest of the Policy shall remain in force.

13. Minutes of Committee Meeting

Proceedings of all meetings must be recorded as minutes 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.

14. Disclosure of this policy

The policy shall be disclosed in the annual report of the Company, as required under Companies Act, 2013, rules made there under and the SEBI Listing Regulations, as amended from time to time and as may be required under any other law for the time being in force.

15. Membership

- i. The Committee shall consist of a minimum 3 non-executive directors, with at least two-thirds of them being independent.
- ii. The quorum for a meeting of the nomination and remuneration 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
- iii. Membership of the Committee shall be disclosed in the Annual Report.
- iv. Term of the Committee shall be continued unless terminated by the Board of Directors.

