



STONE INDIA LIMITED
NOMINATION AND REMUNERATION POLICY

21st May, 2015

NOMINATION AND REMUNERATION POLICY OF STONE INDIA LIMITED

1. BACKGROUND

The Board of Directors("Board") of Stone India Limited ("the Company") had constituted the Remuneration Committee, comprised of Three Independent Directors on 1st December, 2003 and thereafter one more non-executive director was inducted from 27th April,2007. In order to align with the provisions of Section 178 of the Companies Act, 2013 and the Listing Agreement, the Board reconstituted the Nomination and Remuneration Committee on 26th September, 2014 ("the Committee").

2. OBJECTIVES

The primary objective of the Policy is to provide a framework and set standards for the nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and Officials in the cadre of the senior management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

The Key Objectives of the Committee would be:

- 2.1 To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management Personnel;
- 2.2 To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation by the Board;
- 2.3 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management Personnel;
- 2.4 To determine remuneration commensurate with the Company's size and financial position and trends with respect to the adopted by the peers in the industry;
- 2.5 To formulate a Policy which will ensure long term sustainability and retention of talented managerial personnel.
- 2.6 To develop a succession plan for the Board and to regularly review thereof.;

3. DEFINITIONS

- 3.1 **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 3.2 **Board** means Board of Directors of the Company.
- 3.3 **Directors** mean Directors of the Company.
- 3.4 **Key Managerial Personnel ("KMP")** means
 - 3.4.1 Chief Executive Officer or the Managing Director of the Manager or in their absence a Whole time Director;
 - 3.4.2 Company Secretary;
 - 3.4.3 Chief Financial Officer; and
 - 3.4.4 Such other officer as may be prescribed under the Act.
- 3.5 **Senior Management Personnel("SMP")** means personnel of the Company who are members of Company's core management team . This would also include all members of management one level below the Executive Directors including all functional heads.

4. ROLE OF COMMITTEE

4.1 Terms of Reference

- 4.1.1 To identify persons who are competent to become Directors and who may be appointed as Senior Management Personnel in accordance with the criteria laid down, and recommend to the Board their appointment and removal.
- 4.1.2 To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board the policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees.
- 4.1.3 To recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria.
- 4.1.4 To formulate the criteria for evaluation of Independent Directors and the Board;
- 4.1.5 To carry out evaluation of every director's performance .
- 4.1.6 To devise a framework for bringing diversity in the composition of the Board.
- 4.1.7 To carry out any other function, as may be mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

5. COMPOSITION AND FUNCTIONING OF THE COMMITTEE

5.1 Composition

- 5.1.1 The Committee shall be comprised of a minimum of three Non-Executive Directors, majority of them being Independent Directors.
- 5.1.2 Any two members of the Committee shall constitute a quorum for the Committee meetings.
- 5.1.3 Term of the Committee shall be continued unless terminated by the Board of Directors

5.2 Chairperson of the Committee

- 5.2.1 Chairperson of the Committee shall be an Independent Director.
- 5.2.2 Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- 5.2.3 In the absence of the Chairperson, the Members of the Committee present at the meeting, shall choose one amongst them to act as Chairperson.

5.3 Frequency of Meetings:

- 5.3.1 The meeting of the Committee shall be held at such regular intervals, as may be considered necessary.
- 5.3.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

5.4 Secretary

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

5.5 Voting

- 5.5.1 Matters arising at Committee meetings, shall be decided by a majority of votes of Members present and any such decision shall for all purposes be deemed a decision of the Committee.
- 5.5.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

5.6 Interested Committee Member not to participate in the meeting.

A Member of the Committee is not entitled to be present when his/her remuneration is discussed at such meeting or when his/her performance is being evaluated.

6. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL.

6.1 Appointment criteria and qualifications

- 6.1.1 The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or SMP and recommend to the Board his/her appointment.
- 6.1.2 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/satisfactory for the concerned position.
- 6.1.3 The Company shall not appoint or continue the employment of any person as Managing Director/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.
- 6.1.4 Appointment of Independent Directors shall be subject compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV and Rules made thereunder

6.2 Term /Tenure

6.2.1 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 three years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

6.2.2 Independent Director

- An Independent Director shall hold office on the Board of the Company for a term as may be determined by the Board but in any case not exceeding 5 years and will be eligible for re-appointment after passing of a Special Resolution by the Company and disclosure of such appointment in the Board's Report to the Shareholders.
- 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 shall 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.

6.3 Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and SMP on yearly basis or at such frequent intervals, as its Members may decide.

6.4 Removal

In case any Director or KMP incurs any disqualification as provided under the Act or Rules made thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of such Director or KMP subject however, to the provisions and compliance of the said Act, rules and regulations.

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. As per the current Policy, while the Independent Directors shall be liable to retire on completion of 75 years of age, a KMP or SMP (excluding the Directors) shall be liable to retire upon completion of 60 years of age. The Board if it considers to be in the Company's interest, shall have the discretion to retain, an Independent Director, KMP and SMP even after attaining the retirement age.

6.6 Policy relating to the Remuneration for the Managing Directors, Whole-time Director, KMP and SMP.

6.7 Remuneration to the KMP and SMP:

6.7.1 Fixed pay:

The KMPs and SMPs shall be eligible for a monthly remuneration, as may be approved by the Board on the recommendation of the Committee. The remuneration shall include salary, allowances, perquisites and Company's contribution to Provident Fund, as the case may be, in accordance with Company's Policy as amended from time to time and approved by the Shareholders and Central Government, wherever required.

6.7.2 Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration as determined under (6.7.1) above, to its Managing Director/ Whole-time Director subject to the approval of the Central Government, wherever necessary.

6.7.3 Provisions for excess remuneration:

If any Managing / 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 the same in trust for the Company.

6.8 Remuneration to Non-Executive/ Independent Director.

6.8.1 Remuneration:

Non-Executive / Independent Directors shall not be entitled to any remuneration.

6.8.2 Sitting Fees:

The Non-Executive / Independent Directors will be paid Sitting Fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees Five Thousand per meeting of the Board or Committee or such amount as may be revised by the Board of Directors from time to time.

6.9 General

6.9.1 The remuneration to the KMPs and SMPs will be determined by the Committee and recommended to the Board for approval. The remuneration shall be subject to the approval of the Shareholders of the Company and Central Government, wherever required.

6.9.2 Upon evaluation of the performance, Annual Increments in the remuneration may be recommended by the Committee to the Board which shall be within the limits approved by the Shareholders, wherever applicable.

6.9.3 Where any insurance is taken by the Company for its Directors, KMPs and SMPs for protecting them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to such persons. Provided that if such person is provided to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.