



NOMINATION & REMUNERATION POLICY

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Registered Office: INDIGO Paints Limited (Formerly INDIGO Paints Pvt Ltd)

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NOMINATION & REMUNERATION POLICY

1. PREAMBLE

Indigo Paints Limited (the “Company”) has formulated this policy to provide a framework for the nomination, evaluation and remuneration of members of the board of directors of the Company (the “Board”), key managerial personnel (“KMPs”), and other employees of the Company (this “Policy”).

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 from time to time (“SEBI 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.

This Policy reflects the remuneration philosophy and principles of the Company and considers the pay and employment conditions with peers / competitive market to ensure that pay structures are appropriately aligned.

2. NOMINATION/ APPOINTMENT/ REMOVAL CRITERIA FOR THE DIRECTORS:

- 2.1 The Committee shall formulate criteria and review them on an ongoing basis, for determining qualifications, skills, expertise, qualities, positive attributes required to be a Director of the Company. The criteria to be formulated need not be only beneficial to the Company but also will need to consider the qualities, including independence for Independent Directors, and expertise essential for the Company to operate going forward and in changing business environment. Following is the criteria recommended by the Committee and approved by the Board for nominating
- a. composition of the Board, taking into consideration the size of the Company and consistent with the requirement of law;
 - b. diversity on the Board;
 - c. term of appointment of Independent Director;
 - d. optimal balance of skills and relevant experience; professional qualifications,
 - e. expertise and experience in specific area of business;
 - f. no present or potential conflict of interest;
 - g. availability of time and other commitments for proper performance of duties;
 - h. personal characteristics in line with the Company’s values, such as integrity, honesty, and transparency;
 - i. remuneration of Board, Key Managerial Personnel and other employee(s); and
 - j. any other criteria which may be added by the Board at its discretion.

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2.2 Identification and Nomination of the relevant candidate for Board approval

The Committee shall identify persons who are qualified to become Directors and who satisfy the above criteria. The existing Directors who continue to satisfy the criteria may also be considered by the Committee for re-appointment. The re-appointment of Directors shall be recommended by the Committee after taking into consideration the performance of such a Director.

The Committee on satisfaction of a potential candidate meeting the criteria and having completed the identification and selection process, will recommend such persons' candidature to the Board for appointment as a Non- Executive Director or Independent Director or Executive Director, as the case may be.

2.3 The Committee shall also periodically review the performance of the Directors and recommend to the Board for the appointment and removal of Directors.

3. The Committee shall also evaluate the Board, KMPs, other Board Committees and the individual Directors based on the performance evaluation policy as approved by the Board from time to time.

4. DEFINITIONS

Unless otherwise specified in this Policy, the following terms shall bear the meanings respectively assigned to them herein.

- a. **"Board" or "Board of Directors"** means the board of directors of the Company.
- b. **"Director"** means Director of the Company appointed in accordance with the Companies Act, 2013.
- c. **"Committee"** means Nomination and Remuneration Committee including Compensation Committee of the Company as constituted or reconstituted by the Board, from time to time.
- d. **"Company"** means Indigo Paints Limited.
- e. **"Independent Director"** As provided under the Companies Act, 2013, an Independent Director in relation to a company, means a Director other than a Managing Director or a Whole Time Director or a Nominee Director, —
 - (i) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
 - (ii) who is or was not a promoter of the Company or its holding, subsidiary or associate company or member of the promoter group of the Company;
 - (iii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
 - (iv) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;
 - v)(A) is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the Company, its holding, subsidiary or associate Company, respectively, or such higher sum as may be specified;

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- (B) is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;
- (C) has given a guarantee or provided any security in connection with the indebtedness of any third person to the Company, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or
- (D) has any other pecuniary transaction or relationship with the Company, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income.

The pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.

- (v) who, neither himself nor any of his relatives –
 - holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of-
 - a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - holds together with his relatives two per cent. or more of the total voting power of the Company; or
 - is a Chief Executive or director, by whatever name called, of any non- profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or
- (vi) who possesses such other qualifications as may be prescribed under listing regulations from time to time.

f. “Key Managerial Personnel” means-

- i.** The Executive Chairman;
- ii.** The Executive Director (ED);
- iii.** The Chief Operating Officer (COO);
- iv.** The Company Secretary (CS);
- v.** The Chief Financial Officer (CFO);
- vi.** The Whole-time Director (WTD);
- vii.** Such other officer as may be prescribed under the applicable statutory provisions/ regulations

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- g. **“Senior Managerial Personnel”** means officers/ personnel of the listed entity who are members of its core management team excluding Board of Directors and normally this shall comprise all members of the Management one level below the Managing Director.
- h. **“Policy or “This Policy”** means, the **“Nomination & Remuneration Policy.”**

5. BOARD DIVERSITY

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

6. REMUNERATION

- 6.1 The Committee will recommend the remuneration to be paid to the executive director, non-executive director, Independent Director, Key Managerial Personnel, Senior Management Personnel to the Board for their approval.
- 6.2 The level and composition of remuneration so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and Senior Management Personnel of the quality required to run the Company successfully. The relationship of remuneration to performance should be made clear and should meet appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

7. REMUNERATION OF NON-EXECUTIVE AND INDEPENDENT DIRECTORS

- 7.1 Non-executive and Independent Directors (“NEDs”) will be paid remuneration by way of sitting fees and commission. The remuneration/ commission/ compensation to the NEDs will be determined by the Committee and recommended to the Board for its approval.
- 7.2 As approved by the shareholders at the shareholders meeting the commission, if any will be paid to the NEDs at a rate not exceeding 1% per annum of the profits of the Company computed in accordance with Section 198 of the Act. The commission to be paid will be restricted to a fixed sum within the above limit annually on the basis of their tenor in office during the financial year.
- 7.3 The payment of the commission, if any to the NEDs will be placed before the Board every year for its consideration and approval. The sitting fee payable to the NEDs for attending the Board and Compensation Committee meetings will be fixed, subject to the statutory ceiling. The fee will be reviewed periodically and aligned to comparable best in class companies.
- 7.4 NEDs will not be eligible to receive stock options under the existing employee stock option scheme(s) (“ESOP”) of the Company.
- 7.5 NEDs are entitled to be paid all travelling and other expenses they incur for attending to the Company’s affairs, including attending meetings of the Company.
- 7.6 The remuneration payable, if any by the Company to NEDs shall be subject to the conditions specified in the Act and the SEBI Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements.

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8. REMUNERATION OF EXECUTIVE DIRECTOR

- 8.1 The compensation paid to the executive directors (including managing director) will be within the scale approved by the shareholders. The elements of the total compensation, approved by the Compensation Committee will be within the overall limits specified under the Act.
- 8.2 The elements of compensation of the executive director will be decided by the Board from time to time.
- 8.3 The Committee will determine the annual variable pay compensation in the form of annual incentive and annual increment for the executive director based on Company's and individual's performance as against the pre-agreed objectives for the year.
- 8.4 The executive directors, except for a promoter director, will also be eligible for ESOPs as per the ESOP scheme in force from time to time. Grants under the ESOP scheme shall be approved by the Committee.
- 8.5 In case of inadequacy of profit in any financial year, the remuneration payable to the executive director shall be further subject to the relevant provisions of the Act.
- 8.6 Executive directors will not be paid sitting fees for any Board/ committee meetings attended by them.
- 8.7 The remuneration payable by the Company to the executive directors shall be subject to the conditions specified in the Act and the SEBI Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements.

9. REMUNERATION TO KEY MANAGERIAL PERSONNEL / OTHER EMPLOYEES

- 9.1 The Company's total compensation for Key Managerial Personnel as defined under the Act / other employees will consist of:
 - fixed compensation
 - variable compensation in the form of annual incentive
 - benefits
 - work related facilities and perquisites
- 9.2 In addition, select employees will be eligible for long-term incentive plan in the form of ESOPs, as per the ESOP scheme in force from time to time. Grants under the ESOP scheme will be approved by the Committee.
- 9.3 Fixed compensation will be determined on the basis of size and scope of the job typically as reflected by the level or grade of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation will include basic salary, housing allowance, conveyance allowance, other allowances, contribution to PF and as such other allowances as required from time to time.
- 9.4 The annual incentive (variable pay) of executives will be linked directly to the performance of the Company
- 9.5 Based on the grade and seniority of employees, benefits for employees include:
 - Health-Related

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- Health (hospitalization) insurance
 - Accident insurance
 - Other Statutory benefits such as gratuity, etc.
- 9.6 Employees will also be eligible for work related facilities and perquisites as may be determined through human resources policies issued from time to time based on the grade of the employee.
- 9.7 A formal annual performance management process will be applicable to all employees, including senior executives. Annual increases in fixed and variable compensation of individual executives will be directly linked to the performance ratings of individual employee.
- Overall compensation shall be subject to periodic reviews which takes into account data from compensation surveys conducted by specialist firms if required, as well as factors such as affordability based on the Company's performance and the economic environment.
 - Employees may be eligible for ESOPs as per the ESOP scheme approved by the shareholders and in force from time to time. The objective of the ESOP scheme will be to reward employees for their contribution to the long term growth and profitability of the Company by providing a platform to share the value they create for the Company.
 - Employees may be eligible for severance payments in accordance with the termination clause in their employment agreement subject to applicable regulatory requirements.

10. CHAIRPERSON

- 10.1 Chairperson of the Committee shall be an Independent Director.
- 10.2 Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairperson of the Committee.
- 10.3 In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- 10.4 Chairperson of the Committee meeting could be present at the annual general meeting of the Company or may nominate some other member to answer the shareholders' queries.

11. FREQUENCY OF MEETINGS

- 11.1 The Meeting of the Committee shall be held at least once in a year or at such regular interval as may be required and in accordance with applicable laws.

12. REMOVAL

- 12.1 Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations or any other reasonable ground, the Committee may recommend to the Board for removal of a Director, KMP or other employee(s) subject to the provisions and compliance of the said Act, rules and regulations.

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13. COMMITTEE MEMBERS' INTEREST

13.1 A member of the Compensation 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.

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

14. CONSTITUTION & QUORUM

14.1 The Committee shall comprise at least three Directors, all of whom shall be non-executive directors, and at least two-third shall be Independent Directors, the Chairperson being an Independent Director.

14.2 The quorum for the meeting 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.

15. SECRETARY

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

16. VOTING

16.1 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.

17. ADOPTION, CHANGES AND DISCLOSURE OF INFORMATION

17.1 This Policy and any changes thereof will be approved by the Board based on the recommendation(s) of the Committee.

17.2 This Policy may be reviewed at such intervals as the Board or Committee may deem necessary.

17.3 Such disclosures of this Policy as may be required under the Act and SEBI Listing Regulations may be made.

18. DISSEMINATION OF POLICY

A copy of this Policy shall be handed over to all directors within one month from the date of approval by the Board. This Policy shall also be posted on the website of the Company and the details of this Policy, including the evaluation criteria, shall be mentioned in the Annual Report of the Company.

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