



LOTUS CHOCOLATE COMPANY LIMITED

CIN: L15200TG1988PLC009111

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NOMINATION AND REMUNERATION POLICY

1. Introduction:

In terms of Section 178 of the Companies Act, 2013 and the Listing Agreement entered into by the Company with Stock Exchanges, as amended from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management and other employees of the Company has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors. This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel & Senior Management.

2. 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(4) & Schedule II Part D (A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Key Objectives of the Committee would be:

- a. To recommend to the Board appointment and removal of Directors, Key Managerial Personnel and Senior Management in accordance with criteria laid down.
- b. To recommend to the Board a policy including following:
 - (i) Determining qualifications, positive attributes and independence of a director;
 - (ii) Remuneration for the Directors, Key Managerial Personnel and Senior Management;
 - (iii) Remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - (iv) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (v) 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;
 - (vi) Performance evaluation of Independent Directors and the Board;
 - (vii) Board diversity.

3. Definitions:

“Act” means Companies Act, 2013 and rules there under.

“Board” means Board of Directors of the Company.

“Committee” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

“Company” means Lotus Chocolate Company Limited.

“Independent Director” means a Director of the Company, not being in whole time employment and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies the criteria for independence as prescribed under Section 149 of the Companies Act, 2013 and the Listing Agreement with the stock exchanges.

“Key Managerial Personnel” means Key managerial personnel as defined under the Companies Act, 2013 and includes:

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

“Policy” means Nomination and Remuneration Policy.

“Senior Management” means personnel of the Company who are members of its coremanagement team excluding the Board of Directors.

4. Functions of Committee:

The Nomination and Remuneration Committee shall, inter-alia, perform the following functions:

- a. Identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal.
- b. To recommend to the Board a policy for following:
 - (i) Determining qualifications, positive attributes and independence of a director;
 - (ii) Remuneration for the Directors, Key Managerial Personnel and Senior Management;
 - (iii) Remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - (iv) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (v) 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;
 - (vi) Performance evaluation of Independent Directors and the Board;
 - (vii) Board diversity.

The Chairperson of the Nomination and Remuneration Committee or, in his absence, any other member of the committee authorised by the Chairperson in this behalf shall attend the General Meetings of the Company.

Provided that Nomination and Remuneration Committee shall set up mechanism to carry out its functions and is further authorized to delegate any / all of its powers to any of the Directors and / or officers of the Company, as deemed necessary for proper and expeditious execution.

5. Composition of Committee:

- i) The Committee shall comprise at least three directors, all of whom shall be non-executive directors, and at least half shall be independent directors.
- ii) The quorum shall be either two members or one third of the members of the Committee whichever is higher.
- 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.

6. Chairperson:

- i) Chairperson of the Committee shall be an Independent Director.
- ii) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- iii) In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

7. Policy for appointment and removal of Director, KMP and Senior Management:

(A) Appointment criteria and qualifications:

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience 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 are sufficient / satisfactory for the concerned position.
- c) The Committee shall devise a policy on Board diversity after reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board which will facilitate the Committee to recommend on any proposed changes to the Board to complement the Company's corporate strategy.

(B) Removal

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

(C) 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/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

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

(A) General:

- a) The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever 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 provisions of the Act.
- c) Term / Tenure of the Directors shall be as per company's policy and subject to the provisions of the Act.

(B) 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. The breakup of the payscale 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 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 a separate Bank Account of the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

(C) Remuneration to Non- Executive / Independent Director:

a) *Remuneration / Commission:*

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Act.

b) *Sitting Fees:*

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 be decided by the Board and subject to the limit as provided in the Act.

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.

9. Amendments

The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed there under or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.
