

Policy for Selection of Directors & Sr. Management and determining Directors' Independence

1. Introduction

Spentex Industries Limited (SIL) believes that an enlightened Board consciously creates a culture of committed and progressive leadership to provide a long-term vision to continuously improve the quality of governance. Towards this, SIL continuously endeavours to constitute its Board of Directors with an appropriate composition, size, diversified expertise, relevant experience and commitment to not only discharge their collective responsibilities and duties effectively, but also to strive to take Company to newer heights with their stewardship.

SIL equally recognizes the importance of Independent Directors in achieving the effectiveness of the Board with their expertise and experience in diversified fields. SIL aims to have an optimum combination of Executive, Non-Executive and Independent Directors. Accordingly objective of this policy is to determine the criteria such as qualifications, experience, expertise and positive attributes required for the appointment of Board Members & Senior Management and also to determine the independence of the Directors.

2. Scope

This Policy sets out the guiding principles for the Nomination and Remuneration Committee for identifying persons who are qualified to become Directors & Senior Management of the Company and to determine the independence of Directors, in case of their appointment as independent directors of the Company.

3. Definitions

In this Policy, the following terms shall have the following meanings:

“Director” means a director appointed to the Board of the company.

“Independent Director” means a director referred to in sub-section (6) of Section 149 of the Companies Act, 2013 and Clause 49(II)(B) of the Equity Listing Agreement.

“Key Managerial Personnel” means

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the Company Secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed under the Companies Act, 2013

“**Nomination and Remuneration Committee**” means the committee constituted by SIL’s Board in accordance with the provisions of Section 178 of the Companies Act, 2013 and Clause 49 of the Equity Listing Agreement.

“**Senior Management**” includes the Key Managerial Personnel and the persons who are designated as President and Sr. Vice President in the Company.

4. Policy

Qualifications, criteria and liability

The Nomination and Remuneration Committee, and the Board, shall review on an annual basis, the prospective candidates based on their appropriate skills, knowledge, and experience required for the Board as a whole and its individual members, as a Director and for other Sr. Management positions. The objective is to have a Board and Sr. Management with diverse background and experience that are relevant for the Company’s operations.

In evaluating the suitability of individual to be a Board member or to be appointed on Sr. Management position, the Nomination and Remuneration Committee may take into account factors, such as:

- General understanding of the business dynamics, global business and social perspective;
- Educational and professional background/Standing in the profession;
- Personal and professional ethics, integrity and values;
- Willingness and ability to devote sufficient time and energy in carrying out their duties and responsibilities effectively, whether collectively or severally.

The proposed appointee as a Director shall also fulfil the following requirements:

- Shall possess a Director Identification Number;
- Shall not be disqualified under section 164 of the Companies Act, 2013;
- Shall give his written consent to act as a Director;
- Shall endeavour to attend all Board Meetings and wherever he is appointed as a Committee Member, the Committee Meetings;
- Shall abide by the Code of Conduct established by the Company for Directors and Senior Management Personnel;
- Shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his shareholding at the first meeting of the Board in every financial year and thereafter whenever there is a change in the disclosures already made;
- Such other requirements as may be prescribed, from time to time by the Board, whether the same be a requirement under the provisions of law or otherwise, being the requirement of Position.

Criteria of Independence

The Nomination and Remuneration Committee shall assess the independence of Directors at the time of appointment / re-appointment and the Board shall assess the same annually. The Board shall re-assess determinations of independence when any new interests or relationships are disclosed by a Director. The criteria of independence for the Independent Directors shall be in accordance with the provisions of sub-section (6) of Section 149 of the Companies Act, 2013 and Clause 49 of the Equity Listing Agreement.

The Independent Directors shall also abide by the “Code for Independent Directors” as formulated by the Company in accordance with Schedule IV to the Companies Act, 2013.

Criteria for selection of Senior Management Personnel

The Committee delegates powers to the Functional Director(s) of the Company for appointing Senior Management Personnel of the Company subject to the fulfillment of following condition:

- The candidate should have a required level of qualification and experience in any of the areas viz. general management, banking, financial management, legal, sales, marketing, HR and administration, corporate governance, technical operations, or such other areas or disciplines which in the opinion of the management and Committee are relevant for the Company’s business;
- The candidate should possess positive attributes such as leadership skills, decision making skills, effective communication, commitment and such other attributes which in the opinion of the Committee are in the interest of the Company.
- The candidate shall also provide 2 references from his / her last employer and 2 references from the industry

The Nomination and Remuneration Committee shall evaluate each position with the objective of having a group that best enables the success of the Company’s business.

Liability and Indemnification of Directors and Senior Management personnel

The extent of liability of a director would depend irrespective of nature of his/her function, if the same was performed individually or collectively, however the liability shall be confined to that particular Director(s) if he is solely involved in such act and no other person was party in decision making otherwise all the persons who were involved in such act/decision making shall be held collectively liable. The liability of Senior Management Person shall be restricted to his/her functions only. Further, all such persons shall also be held liable who were privy to the act and assisting or supervising to such director/Senior management person in the decision making part. The director / Senior Management personnel can be made individually liable for an act only if he was sole in charge of the willful act and the same was not either in the interest of the Company or was beyond the delegation of authority given to him/her. Although Directors/ Senior Management have multifarious liabilities but if they exercise these by due care as expected of them they won’t be held liable.

However, to cover defaults as may inadvertently be committed by Directors & other officers in their regular discharge of functions due to unintentional errors and omissions, Company may take Directors & Officers insurance Policy for such individuals on need basis and such Directors and senior officers shall

stand protected and indemnified under such Policy, invariably, in respect of civil liability and availment of legal assistance to protect themselves.

In the event of D & O policy is not available, in such eventuality directors & senior officers shall remain protected and indemnified by the Company, for the losses, damages and cost incurred by them, consequential to any default or offence under any law whatsoever inadvertently committed by them in due course of discharge of their functions, in respect of defending themselves against such perceived defaults and offences which shall include litigation cost, fines, penalties or any other cost imposed on such Director/officer or the expenses incurred in engaging legal counsel to defend himself/herself and the time spent by him/her in pursuing such legal remedies, at the rate at which he/she was being paid, at the time of such perceived offence, if he/she has already left the Company. Provided such indemnification shall be granted if the action was taken by that concerned person diligently and independent of other's function.

Other directorships / committee memberships

The Directors are expected to have adequate time and expertise and experience to contribute to effective Board performance. Accordingly, directors should voluntarily limit their directorships in other listed public limited companies in such a way that it does not interfere with their role as directors of the Company. The Nomination and Remuneration Committee shall take into account the nature of, and the time involved in a Director's engagement with other Boards, in evaluating the suitability of the individual Director and making its recommendations to the Board.

- a) A Director shall not serve as Director in more than 20 companies of which not more than 10 shall be Public limited Companies.
- b) A Director shall not serve as an Independent Director in more than 7 Listed Companies and not more than 3 Listed Companies in case he is serving as a Whole-time Director in any Listed Company.
- c) A Director shall not be a member in more than 10 Committees or act as Chairman of more than 5 Committees across all companies in which he holds directorships.

For the purpose of considering the limit of the Board and the Committees, Audit Committee and Stakeholders' Relationship Committee of all Public Limited Companies, whether listed or not, shall be included, and all other companies including Private Limited Companies, Foreign Companies and Companies under Section 8 of the Companies Act, 2013 shall be excluded.