

Nomination, Remuneration and Evaluation Policy

This Nomination, Remuneration and Evaluation Policy (the “Policy”) applies to the Board of Directors (the “Board”), Key Managerial Personnel (the “KMP”) and the Senior Management Personnel of **Opto Circuits (India) Limited** (the “Company”).

1. Definitions

- “Director” means a director appointed to the Board of a company;
- “Independent Director” shall have the meaning as defined under the Companies Act, 2013 read with relevant rules and the Clause 49 of the Listing agreement; as amended from time to time.
- “Key Managerial Personnel (KMP) means—
 - i. Chairman & Managing Director;
 - ii. Company Secretary,
 - iii. Whole-time Director;
 - iv. Chief Financial Officer; and
 - v. Such other Officer as may be prescribed.
- “Managing Director” means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

Explanation—for the purposes of this clause, the power to do administrative acts of a routine nature when so authorised by the Board such as the power to affix the common seal of the company to any document or to draw and endorse any cheque on the account of the company in any bank or to draw and endorse any negotiable instrument or to sign any certificate of share or to direct registration of transfer of any share, shall not be deemed to be included within the substantial powers of management;
- The term “Senior Management Personnel” means personnel of the company who are Members of its core management team excluding Board of Directors comprising all members of management one level below the executive Directors, including the functional heads In reference to the company, the senior management personnel would refer to personnel occupying the positions identified in as per the organizational framework of the Company.
- “Whole-time director” includes a director in the whole-time employment of the company;

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- Words and definitions not defined herein shall have the same meaning as provided in the Companies Act, 2013 read with relevant rules and the Clause 49 of the Listing agreement or other relevant provisions; as may be applicable.

This Policy is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 under the Listing Agreement; as amended from time to time.

2. Purpose

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 Senior Management Personnel. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management Personnel.

The objectives of the policy thus would be:-

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Key Managerial and Senior Management positions and to determine their remuneration.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies.
- To establish framework for evaluation of the performance of Directors including Independent Directors, Committees and Board.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To devise a policy on Board diversity

3. Accountabilities

- The Board is ultimately responsible for the appointment of Directors and Key Managerial Personnel.
- The Board has delegated responsibility for assessing and recommending the candidates for the role of Directors, Key Managerial Personnel and laying down the criteria for selection of the Senior Management Personnel of the Company to the Nomination and Remuneration Committee which makes recommendations to the Board.

4. Nomination and Remuneration Committee – Composition & Structure

The Nomination and Remuneration Committee comprises the following:

- i. The Committee shall consist of a minimum 3 non-executive directors, majority of them being Independent.
- ii. Minimum two (2) members shall constitute a quorum for the Committee meeting.
- 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.
- v. CHAIRMAN - Chairman of the Committee shall be an Independent Director.
- vi. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- vii. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- viii. Chairman of the Nomination and Remuneration Committee meeting or any other person authorized by him shall be present at the Annual General Meeting. The Chairman may also nominate some other member to answer the shareholders' queries.

COMMITTEE MEMBERS INTERESTS

- i. A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- ii. The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee

VOTING

- i. 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.
- ii. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

5. Nomination and Remuneration Committee – Responsibility

The Nomination and Remuneration Committee is responsible for:

- i. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy.
- ii. identifying individuals suitably qualified to be appointed as the Executive Directors,
- iii. Independent Directors and the KMPs and Senior Management Personnel for the Company;

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- iv. recommending to the Board on the selection of individuals nominated for directorship;
- v. formulating the criteria for determining qualification, positive attributes and recommending to the Board a policy relating to the remuneration for Executive Directors, Key Managerial Personnel and other employees.
- vi. assessing the independence of independent directors, so as to ensure that the individual meets with the requirement prescribed under the Companies Act, 2013 read with Clause 49 of the Listing Agreement;
- vii. such other key issues/matters as may be referred by the Board or as may be necessary in view of the Listing Agreement and provision of the Companies Act 2013 and Rules there under.
- viii. to 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.
- ix. to devise a policy on Board diversity;
- x. to develop a succession plan for the Board and to regularly review the plan;
- xi. lay down criteria for evaluation of the individual Directors, Committees and Board as a whole.

6. Positive Attributes and qualifications of Directors/KMPs/Senior Management Personnel.

When recommending a candidate for appointment, the Nomination and Remuneration Committee will have regard to the following qualifications and positive attributes:

- i. assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, industry experience, background and other qualities required to operate successfully in the position;
- ii. the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company; in case of KMPs and Senior Management Personnel their contribution towards effectiveness of the organization as a whole would be considered ;
- iii. the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment;
- iv. ability of the appointee to represent the company
- v. ability to work individually as well as a member of the Board and senior management
- vi. influential communicator with power to convince other in a positive way;
- vii. ability to participate actively in deliberation and group processes;
- viii. have strategic thinking and facilitation skills;
- ix. act impartially keeping in mind the interest of the company on priority basis;
- x. Personal specifications:

1. Educational qualification;
2. Experience of management in a diverse organization;
3. Interpersonal, communication and representational skills;
4. Demonstrable leadership skills;
5. Commitment to high standards of ethics, personal integrity and probity;
6. Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace;

7. Independence of a Director

The key role of an Independent Director is to provide an unbiased, varied and experienced Perspective to the Board. While evaluating the candidature of a Director, the committee abides by the criteria for determining Independence as stipulated under Companies Act 2013, Listing Agreements and other applicable regulations or guidelines.

The committee takes a broad perspective with respect to Independence and takes into consideration not only the dealings, transactions, relationships with the concerned Individual Director but also with relatives, entities and organizations affiliated to it. The Committee, along with the Board, regularly reviews the skill, characteristics required from the Board & Individual Directors. One of the prime objectives of this exercise is to identify competency gaps in the Board and make suitable recommendations. The objective is to have a board of diverse background and experience in business, technology, governance and areas that are relevant for the company.

Besides considering all other qualifications w.r.t to talent, relevant professional experience, proven track record of performance and achievement, ethics and integrity, ability to bring in fresh and independent perspectives, the Committee objectively evaluates whether an individual can dispassionately discharge the statutory functions of a Director as enshrined in the Companies Act 2013 and Listing Agreement.

8. Board Diversity

The Board shall consist of such number of Directors including at least one woman Director as is necessary to effectively manage the Company. The Board shall have an appropriate combination of executive and Independent Directors.

The Nomination & Remuneration Committee will lead the process for Board appointments. All Board appointments will be based on meritocracy in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. The candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. The Company believes that increased diversity in Board is associated

with better financial performance, greater innovation and has a positive impact on the Company.

9. Letters of Appointment

Each Director including Executive Directors, Independent Directors and the KMPs, Senior Management Personnel are required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned in the Company.

The term/tenure of the Directors including Executive Directors and Independent Directors shall be in accordance with the applicable laws.

10. Remuneration of Directors, Key Managerial Personnel and Senior Management Personnel

The Committee will determine individual remuneration packages for Directors and lay down criteria for deciding upon the remuneration of KMPs and Senior Management of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines.

The core factors taken into consideration are:

- a) Industry Practice and Bench marks;
- b) Long-term value creation.
- c) Reward achievement of results on the basis of prudent practice, responsibility and risk taking abilities.
- d) Attract and retain and motivate the best professionals.
- e) Reward the experience and professional track record.
- f) Ensure equity within the Group and competitiveness outside it.
- g) Ensure transparency in its remuneration policy

11. For Executive Directors (Managing Directors and Whole time Directors)

Section 197(1) of the Companies Act, 2013 provides for the total managerial remuneration payable by the Company to its directors, including managing director and whole time director, and its manager in respect of any financial year shall not exceed eleven percent of the net profits of the Company computed in the manner laid down in Section 198 in the manner as prescribed under the Act.

The Company with the approval of the Shareholders and Central Government may authorise the payment of remuneration exceeding eleven percent of the net profits of the company, subject to the provisions of Schedule V.

The Company may with the approval of the shareholders authorise the payment of remuneration up to five percent of the net profits of the Company to its anyone Managing Director/Whole Time Director/Manager and ten percent in case of more than one such officer.

12. For Non-Executive Directors

The Company may pay remuneration to its directors, other than Managing Director and Whole Time Director up to one percent of the net profits of the Company, if there is a managing director or whole time director or manager and three percent of the net profits in any other case. Section 197(5) provides for remuneration by way of a fee to a director for attending meetings of the Board of Directors and Committee meetings or for any other purpose as may be decided by the Board.

The Independent Directors shall not be entitled to any stock option and may receive remuneration by way of fee for attending meetings of the Board or Committee thereof or for any other purpose as may be decided by the Board and profit related commission as may be approved by the members.

The sitting fee to the Independent Directors & Woman Director shall not be less than the sitting fee payable to other directors.

General:-

- i. The remuneration payable to the Directors shall be as per the Company's policy and shall be valued as per the Income Tax Rules.
- ii. The remuneration payable to Directors shall be subject to the approval of Shareholders, if required, as per the provisions of applicable laws.
- iii. The net profits for the purpose of the above remuneration shall be computed in the manner referred to in Section 198 of the Companies Act, 2013.
- iv. The company may opt for Directors including independent directors & Officers Liability Insurance, in accordance with the policy.
- v. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

For Key Managerial Personnel and Senior Management Personnel.

- i. The remuneration payable to the Key Managerial Personnel and the Senior Management shall be as per the criteria decided by the Committee having regard to their experience, leadership abilities, initiative taking abilities and knowledge base.

For other employees.

- i. The policy for determination of the remuneration of employees other than Directors, KMPs and Senior Management personnel shall be as per the normal process followed by the Company.

13. Evaluation/ Assessment of Directors of the Company

The committee shall undertake a formal and rigorous annual evaluation of the Board, including its committees and individual directors. The evaluation of performance of the Board shall be independent and objective and should take into account the overall impact of their functioning on the company and its stakeholders. Besides the performance evaluation of individual directors evaluation of the performance of the committees and the Board as a whole is also required to be conducted. The performance evaluation shall be undertaken on yearly basis, starting from financial year 2014-15, the schedule of which may be laid down by the Committee.

The committee is required to establish mechanism for Performance Evaluation & Assessment of the Directors including the Independent Directors. The evaluation/assessment of the Directors of the Company is to be conducted on an annual basis to cater to the requirements of the Companies Act 2013 and the requirements of the Listing Agreement.

The following criteria may assist in determining how effective the performances of the Director have been:

- i. Leadership Qualities Contributing to corporate objectives & plans
- ii. Communication of expectations & concerns clearly with colleagues
- iii. Obtain adequate, relevant & timely information from external sources.
- iv. Review & approval achievement of strategic and operational plans, objectives, budgets
- v. Regular monitoring of corporate results against projections
- vi. Identify, monitor & mitigate significant corporate risks
- vii. Assess policies, structures & procedures
- viii. Effective meetings
- ix. Assuring appropriate board size, composition, independence, structure
- x. Clearly defining roles & monitoring activities of committees
- xi. Review of organization's ethical conduct

A series of assessment questionnaire to enable such evaluation being conducted shall be finalized by the Committee. Once the assessment is completed, the Committee shall evaluate

such assessments. The Company may engage external consultants / agencies to provide assistance in the evaluation process.

Performance Review by Independent Directors

In accordance with the mandate given under Companies Act 2013 & Clause 49 of the listing agreement, Independent Directors will hold at least one separate meeting without the attendance of non-independent directors and members of management starting from the financial year 2014- 15 onwards.

The meeting shall:

- (a) Review the performance of non-independent directors and the Board as a whole;
- (b) Review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- (c) Assess the quality, quantity and timeliness of flow of information between the company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Performance of the respective Committees shall be done by the Board. The performance evaluation shall be undertaken on yearly basis, starting from financial year 2014-15, the schedule of which may be laid down by the Committee.

14. Succession Planning

The Company recognizes the need of a formal, proactive process which can assist in building a leadership pipeline/talent pool to ensure continuity of leadership for all critical positions. Succession planning involves assessment of challenges and opportunities facing the company, and an evaluation of skills and expertise that would be required in future.

The nomination and remuneration committee will work with the Board to develop plans and processes for orderly succession to the board and senior management. The Committee shall endeavor to develop a diverse pool of candidates who may be considered to fill the gap in Board positions or senior management in case of any eventuality. The committee would ensure that the Company is prepared for changes in senior management, either planned or unplanned. Succession Planning Process would cover identification of internal candidates, development plans for internal candidates, and identification of external candidates. The Committee would also assist in formulating an emergency succession contingency plan for unforeseen events like death, disability etc.

The Board will periodically monitor the review and monitor the succession planning process.

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15. Review of the policy

This Policy shall be reviewed by the Nomination and Remuneration committee on annual basis (unless an earlier review is required) to ensure that it meet the requirements of latest market requirements and trends and the Nomination and Remuneration committee shall make recommendations to the Board on required amendments.
