DNV FOOD PRODUCTS LIMITED

CIN: U15122WB2012PLC187522

POLICY FOR CRITERIA
FOR MAKING PAYMENT TO THE DIRECTORS

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REMUNERATION POLICY

1. Introduction:

The Company has formulated a policy called **"Remuneration Policy"** to ensure the payment of equitable, competitive remuneration to all Directors, Key Managerial Personnel (KMP) and employees of the Company which is based on individual performance, Company's benchmark, Industry practices and performance of the Company as a whole. Framing of the Remuneration Policy is also mandated by the Companies Act, 2013 and the Listing agreement as amended from time to time.

2. Key Principles of the Remuneration Policy

The following set of principles act as guiding factors:

- Align remuneration with the long-term interests of the Company and its shareholders
- Minimize complexity and ensure transparency
- Link to annual business performance of the company
- Promote a culture of meritocracy and is linked to key performance and business drivers
- Reflective of market competitiveness so as to attract the best talent

3. Objective and purpose of the Remuneration Policy:

- To determine remuneration based on the Company's business outlook, financial position, growth and trends and practices on remuneration prevailing in competitive compensation
- To align reward and recognition mechanism directly to the effort, performance, dedication and achievement relating to the Company's operations
- To attract, retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage
- To 'Pay for Performance' i.e. the remuneration shall be linked to the performance and to strike the right balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the goals of the company
- To ensure compliance and maintain high standards to governance In

the context of the aforesaid, the following policy has been formulated.

4. Remuneration paid to Executive & Non-Executive Directors

- The remuneration paid to Executive and Non-Executive Directors shall be recommended by the Nomination and Remuneration Committee and to be approved by the Board of

- Directors, subject to the subsequent approval by the shareholders at the general meeting and Central Government, as the case may be.

- The remuneration for Executive Directors shall be arrived at by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry, future contribution and the financial position of the Company. The elements of the remuneration and limits are as per Sections 178, 197 and Section V of the Companies Act 2013 and also Clause 49 of the Listing Agreement.

- If in any financial year during the tenure of the Executive Directors, the company has no profits or its profits are inadequate, they shall be paid the remuneration as decided above, as the minimum remuneration in terms of Section 197 read with Schedule V to the Companies Act, 2013, with the approvals of shareholders and Central Government, as the case may be.

- The Non-Executive and Independent Directors of the Company would be paid sitting fees within the permissible limits prescribed under the Companies Act, 2013 and rules framed thereunder for attending meetings.

- In case of profits/adequate profits, the Independent Directors may also be paid remuneration by way of Commission aggregating up to 1 % of net profits of the Company pursuant to the provisions of Sections 197, 198 of the Companies Act 2013. The Board of Directors shall decide the actual amount to be paid to each Independent Director based on factors such as meetings attended by the Director, time and effort put in and contribution made, Chairmanship/ membership of various Committees of the Board etc.

- Independent Directors shall not be entitled to stock options or bonus, pension or incentives.

5. Remuneration Policy for Key managerial personnel, senior management & staff:

The compensation for the Key managerial personnel, senior management and staff of our organization would be guided by the external competitiveness and internal parity through annual benchmarking surveys. The remuneration structure is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, PF etc. The variable component comprises annual performance of the Individual employee and Company's performance as a whole.

Internally, performance ratings of all Employees would be spread across a normal distribution curve. The rating obtained by an employee will be used as an input to determine Variable and Merit Pay increases. Variable and Merit pay increase will be calculated using a combination of individual performance and organizational performance. Compensation can also be determined based on identified skill sets critical to the success of our organization. It is determined as per management's review of market demand and supply, Industry benchmarks etc.

6. Key factors outlining Remuneration Policy

Competitive Compensation

The remuneration policy ensures that the remuneration is competitive in order to:

- Attract right talent from the market
- Retain right employees in the organization
- Motivate employees to perform better

The competitive comparator is selected based on Industry Relevance, Task relevance and Size of organization.

7. Pay for Performance:

The merit increment model is built to maintain a significant differential between average and high performers. Section 178 (4), Companies Act, 2013 has a significant focus on "Pay for Performance". In line with the requirements, Remuneration Policy puts considerable emphasis on Performance based compensation through short term incentives (annual variable pay). The annual variable pay is determined based on the standard evaluation matrix prevailing in the organization.

8. Performance Evaluation – Performance Management System:

The evaluation of rest of KMPs, Senior management and Staffs shall be as per the extant annual performance evaluation policy of the Company.

The goals are derived from the Company's vision which is translated to Annual Business Plan. These goals are cascaded to the functional heads /Unit Heads/ Business Heads and from them to the departmental heads, and then to the respective employees in each department. In this manner, the Company's annual business goals are cascaded to all levels in the organization. The employees are rated on the basis of achievements of these goals and also a defined competency framework. The weightages of these depend on the level within the organization.

9. Risk Mitigation:

Reward policy follows core principles of risk mitigation:

- Avoidance of a symmetrical incentive structures that have a highly leveraged upside payoff with limited or no downside:
  - ➢ The approved levels of performance at Company, business unit and individual levels are

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- determined annually and no payout is proposed below these levels
- The payout is capped upsides to mitigate excessive payouts in short term
- Balanced performance metrics to ensure that the employees are rewarded for comprehensive performance and not on one measure

- Increased disclosures drive stronger activism towards malpractices and therefore act as a self-correcting mechanism:
  - All disclosures mandated by Companies Act, 2013 are made with diligence in order to provide an objective view of pay philosophy for Executive Directors, KMPs and Senior Management at Company to the shareholders and other stakeholders.