



NOMINATION AND REMUNERATION POLICY

OF

NEWGEN SOFTWARE TECHNOLOGIES LIMITED

Document Title	:	Nomination and Remuneration Policy
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Nomination and Remuneration Policy

1. **PURPOSE:**

This Nomination and Remuneration Policy ("Policy") shall be in compliance with Section 178 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014, which is formulated by Nomination and Remuneration Committee and approved by the Board of Directors, to guide the Board on various issues on appointment, evaluate performance, remuneration of Directors, Key Managerial Personnel and Senior Management.

2. **APPLICABILITY:**

This policy is applicable to all types of Directors, Key Managerial Personnel (KMP), and Senior Management team and other employees of Newgen Software Technologies Limited ("Company") as prescribed under Companies Act, 2013.

3. **OBJECTIVES:**

This policy is framed with the following objectives:

- I. To guide the Board in relation to the appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- II. To evaluate the performance of members of the Board and provide necessary report to the Board for further evaluation.
- III. To attract, retain and motivate the Senior Management including its Key Managerial Personnel, evaluation of their performance and provide necessary report to the Board for further evaluation.
- IV. The relationship of remuneration with performance is clear and meets appropriate performance benchmarks.
- V. To recommend the Board through this policy the Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- VI. To promote and develop a high performance workforce in line with the Company strategy.
- VII. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Director (Executive & Non-Executive/ Independent/ Nominee) and persons who may be appointed in Senior Management, Key Managerial Personnel and determine their remuneration.
- VIII. To determine the remuneration based on the Company's size and financial position and practices in the industry.

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4. DEFINITIONS:

- I. **“Act”** means Companies Act, 2013 and rules framed thereunder as amended from time to time.
- II. **“Board of Directors”** or **Board**, in relation to the company, means the collective body of the Directors of the Company.
- III. **“Committee”** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- IV. **“Company”** means **“Newgen Software Technologies Limited”**.
- V. **“Managerial Personnel”** means Managerial Personnel or Persons as applicable under section 196 and other applicable provisions of the Companies Act, 2013.
- VI. **“Policy”** or **“This policy”** means Nomination and Remuneration Policy.
- VII. **“Remuneration”** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income Tax Act, 1961.
- VIII. **“Independent Director”** means a Director referred to in Section 149 (6) of the Companies Act, 2013.
- IX. **“Key Managerial Personnel” (KMP)** means the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole-time Director; The Company Secretary and The Chief Financial Officer.
- X. **“Senior Management”** mean 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.
- XI. **“Manager”** means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 and or in any applicable laws/rules as may be amended from time to time shall have the meaning respectively assigned to them therein.

5 CONSTITUTION OF NOMINATION AND REMUNERATION COMMITTEE:

- 5.1 The Nomination and Remuneration Committee shall consist of three or more non-executive directors, out of which at least one-half shall be independent director(s), provided that Chairperson of the Company may be appointed as a member of this Committee but shall not chair such Committee.
- 5.2 The Board shall reconstitute/re-constitute the Committee as and when required to comply with the provisions of the Companies Act, 2013 and other applicable statutory requirements.
- 5.3 The meeting of Committee shall be held at such regular intervals as may be required to carry out the objectives set out in the Policy.
- 5.4 The Committee members may attend the meeting physically or through Video conference or through permitted audio –visual mode, subject to the provisions of the applicable laws.
- 5.5 Minimum two (2) members shall constitute a quorum for the Committee meeting.
- 5.6 Membership of the Committee shall be disclosed in the Annual Report.
- 5.7 Term of the Committee shall be continued unless terminated by the Board of Directors.
- 5.8 Chairperson of the Committee shall be an Independent Director.
- 5.9 In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- 5.10 Chairperson of the Company (whether executive or Non-Executive) may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- 5.11 Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries
- 5.12 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.
- 5.14 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.

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5.15 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

5.16 The Company Secretary shall act as Secretary to the Committee.

6 **APPLICABILITY:**

The Policy is applicable to Directors (Executive and Non Executive), Key Managerial Personnel and Senior Management Personnel. This policy is divided into 3 parts as follows:-

6.1 **PART – A: MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE:**

The Committee shall:

- I. Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- II. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy as prescribed under section 178(2) of the Companies Act, 2013.
- III. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel with the criteria laid down in this policy.

6.2 **PART – B: POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, INDEPENDENT DIRECTOR KMP AND SENIOR MANAGEMENT:**

6.2.1 **APPOINTMENT:**

- I. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and recommend to the Board his / her appointment.
- II. A person to be act as director 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 is sufficient / satisfactory for the concerned position.
- III. The Company shall not appoint or continue the employment of any person as Whole-time Director/ Managing Director/CEO who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by

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passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

- IV. For appointing any person as an Independent Director he/she should possess qualifications as mentioned in section 149 of the Companies Act, 2013 and Rule 5 of The Companies (Appointment and Qualification of Directors) Rules, 2014.
- V. The candidate for a position at Company Secretary, Chief Financial Officer and Senior Management level is met by the Head-HR/ Managing Director and the interview is targeted at assessing the candidate on his/her functional and leadership capabilities and cultural fitment to the organization. The Head-HR/ Managing Director shall ensure that the person possesses adequate qualification, expertise and experience for the position he / she is considered for appointment.
- VI. The Head-HR/ Managing Director Managing Director shall assess the shortlisted candidates for the position of Company Secretary, Chief Financial Officer and Senior Management Level.

6.2.2 **DISQUALIFICATIONS FOR APPOINTMENT OF DIRECTORS:**

- I. A person shall not be eligible for appointment as a director of a company if (a). He/she is of unsound mind and stands so declared by a competent court; (b). He/she is an undercharged insolvent; (c). He/she has applied to be adjudicated as an insolvent and his application is pending; (d). He/she has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:
- II. If a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period as prescribed in companies Act, 2013, he/she shall not be eligible to be appointed as a director;
- III. If any order disqualifying him/her for appointment as a director has been passed by a court or Tribunal and the order is in force;
- IV. He/she has not paid any calls in respect of any shares of the company held by him/her, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- V. He/she has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or He has not

complied with sub-section (3) of section 152.

- VI. No person who is or has been a director of a company which (a). Has not filed financial statements or annual returns for any continuous period of three financial years; or (b). Has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.
- VII. Other disqualification as may be prescribed under Companies Act, 2013 and under any other applicable laws, rules.

6.2.3 **TERM / TENURE:**

- I. The tenure for Directors, Managing Director/ Whole-Time Director/CEO shall be governed by the terms defined in the Companies Act, 2013.
- II. The tenure for other KMPs and Senior Management Personnel will be governed by Newgen HR Policy.

6.2.4 **TERM / TENURE FOR INDEPENDENT DIRECTOR:**

- I. An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for reappointment as specified in Companies Act, 2013. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director.
- II. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.
- III. The maximum tenure of Independent Directors shall also be in accordance with the Companies Act, 2013 and clarifications/ circulars issued by the Ministry of Corporate Affairs, in this regard, from time to time.

6.2.5 **EVALUATION:**

- I. The HR-Head/Managing Director performs the evaluation of performance of Company Secretary, Chief Financial Officer and Senior Management Personnel at

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regular intervals as per Newgen HR Policy or he can authorised any official person or respective reporting head of evaluated person to perform this function.

- II. The performance evaluation of Independent Directors shall be done by the Board, excluding the Director being evaluated, basis the contributions made to the Board deliberations on various matters including business strategy, financial strategy, operations, cost and risk management, etc., and suggestions given in this regard.

6.2.6 **REMOVAL:**

- I. Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, subject to the provisions and compliance of the said Act, rules and regulations.
- II. For other KMP or Senior Management Personnel the removal will be governed by Newgen HR Policy.

6.2.7 **RETIREMENT:**

- I. The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing Newgen HR Policy.
- II. The Managing Director 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 subject to the applicable laws and rules.

6.3 **PART – C: POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL:**

6.3.1 **EVALUATION PROCESS :**

- I. The performance metrics shall be defined by the Nomination and Remuneration Committee for Directors, Managing Director/ Whole-Time Director/ CEO and for other KMPs & Senior Management Personnel the metrics shall be determined by the Managing Director and / or HR-Head as per Newgen HR Policy.
- II. An holistic view of the ratings will be reviewed by the Board in relation to Directors, Managing Director/ Whole-Time Director/ CEO, whereas for other KMPs and Senior Management Personnel the same shall be reviewed by the Managing Director and / or HR-Head as per Newgen HR Policy. The Managing Director/ HR-Head shall do qualitative review of the performance based on the

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efforts put in by the employee, results achieved and impact of the external and internal factors to arrive at the Final Rating.

6.3.2 **REMUNERATION:**

- I. The revision in the total remuneration is directly linked to the Final Rating for all employees. The remuneration / compensation / commission etc., to other KMPs and Senior Management Personnel will be determined by the Managing Director/ HR-Head in accordance with the Newgen HR Policy, which is based on the Final rating, employee potential and market benchmark compensation.
- II. The ESOP's to the Senior Management Personnel will be determined by the Managing Director/ HR-Head as prescribed under Newgen ESOP Scheme/(s) of the Company.
- III. The remuneration/compensation/commission etc., to the Directors and Managing Director/ Whole-Time Director/ CEO shall be subject to the prior / post approval of the Shareholders of the Company and Central Government wherever required as per Companies Act, 2013.
- IV. The remuneration and commission to be paid to Whole Time Director/Managing Director/Independent Director shall be in accordance with the percentage/ slabs/ conditions laid down in the Articles of Association of the Company and as per the provision of the Companies Act, 2013 and the rules made thereunder.
- V. If any Managerial Personnel draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 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 trust for the Company.
- VI. Increments to the existing Remuneration /compensation structure may be recommended by the Managing Director to the Committee and the Board which should be within the slabs approved by the Shareholders in the case of Whole time Director/ Managing Director. Where any insurance is taken by the Company on behalf of its Whole-Time Director, Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and any other employee 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 may be treated as part of the remuneration.
- VII. An Independent Director, promoter director shall not be entitled to any stock option of the Company as prescribed under Companies Act, 2013.

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6.3.3 **SITTING FEES:**

- I. The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof and by way of other means As may be prescribed by applicable laws. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

7 **AMENDMENT TO THE POLICY:**

The Board of Directors on its own and / or as per the recommendations of Nomination and Remuneration Committee can amend this Policy, as and when deemed fit. However, any amendment in respect of criteria for determining qualifications, positive attributes and independence of directors shall be done with the approval of Nomination and Remuneration Committee only.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), Clarification, circular(s) etc.

Date: 07.05.2015
Place: New Delhi

Signature: Sd/-
Diwakar Nigam
Managing Director