



SONATA SOFTWARE LIMITED

NOMINATION AND REMUNERATION POLICY

[As per section 178 of the Companies Act, 2013 and Regulation 19 read with Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

CIN: L72200MH1994PLC082110

30 September 2014

PREAMBLE

This Policy is formulated for the Company and all its Subsidiaries including but not limited to Sonata Information Technology Ltd, Sonata Europe Limited, Sonata Software North America Inc, etc to attract, motivate and retain high-caliber senior executives/directors in a competitive market, who possess the required core competencies, professional backgrounds and skill sets in line with the nature and identity of the Company and its business. This Policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for stakeholders.

This Policy has been formulated by the Company and adopted by the board of directors of the Company on 30 September 2014 and this date will be deemed to be the effective date of this Policy and the same is modified on 8th February, 2019.

1. OBJECTIVES

The objectives and purpose of this Policy are as follows:

- 1.1** 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 Senior Management (SMP) and Key Managerial positions (KMP) and to determine their Remuneration;
- 1.2** To provide framework for remuneration of the Directors, KMP, and SMP based on the Company's size, financial position and trends and practices on Remuneration prevailing in peer companies, in the software industry;
- 1.3** To carry out evaluation of the performance of Directors, as well as KMP and SMP;
- 1.4** To lay down approach for Board diversity;
- 1.5** To provide them reward linked directly to their performance and potential relating to the Company's operations.

2. APPLICABILITY

This Policy is applicable to:

Directors (executive and non-executive);
KMP; and
SMP



3. DEFINITIONS

3.1 “Act” means the Companies Act, 2013 (as amended or modified from time to time) and applicable rules prescribed thereunder;

3.2 “Board” means the Board of Directors of the Company;

3.3 “Director” means the Director appointed to the Board of the Company;

3.4 “Committee” means Nomination and Remuneration Committee of M/s. Sonata Software Limited as constituted or reconstituted by the Board;

3.5 “Company” means M/s. Sonata Software Limited and its Subsidiaries.

3.6 “Independent Director” means a Director referred to in Section 149(6) of the Act.

3.7 “Key Managerial Personnel” (KMP) means-

- The Chief Executive Officer or the Managing Director or the Manager;
- The Company Secretary;
- The whole-time Director;
- The Chief Financial Officer;
- Such other officer, not more than one level below the directors who is in whole-time employment, designated as KMP by the Board.

3.8 “Policy” means this Nomination and Remuneration Policy.

3.9 “Senior Management Personnel” (SMP) “Senior Management Personnel” (SMP) shall mean officers/personnel in the grade and title of senior Vice-president or above (including chief executive officer, in case they are not part of the Board) and shall specifically include Company Secretary and Chief Financial Officer.

Words and expressions not defined in this policy shall have the same meaning as contained in the Companies Act 2013 (“Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)

4. CONSTITUTION OF THE COMMITTEE

The Nomination and Remuneration Committee shall be formed by the Board to ensure compliance with this Policy. The Board has the power to reconstitute the Committee consistent with the Company's policies and applicable statutory requirement.

5. MATTERS TO BE DEALT WITH AND RECOMMENDED TO THE BOARD BY THE COMMITTEE

The Committee shall inter-alia, include the following:

- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to, the remuneration of the directors, KMP(s) and other employees;
- To formulate criteria for evaluation of performance of independent directors and the board of directors;
- To devise a policy on diversity of board of directors;
- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;
- To decided whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- To recommend to the board, all remuneration, in whatever form, payable to senior management.

6. CRITERIA FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMPs AND SMPs

6.1 General criteria and qualifications:

- The Board and its Committees of the Board shall comprise optimum number of directors as required under the Companies Act, 2013 and the Listing Regulations with appropriate combination of Executive, Non-executive, Independent and Women Directors;
- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person who is proposed for appointment as Director, KMP or SMP and recommend to the Board about such proposed appointment;



- A person should possess adequate qualification, expertise and experience for the position he is considered for appointment. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position;
- The Company shall not appoint or continue the employment of any person as Managing Director, whole-time Director or Manager who is below the age of twenty one years or who has attained the age of seventy years. Provided that the term of the person holding the described position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution which shall be based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond the age of seventy years.
- The Company shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

6.2 Appointment/Term / Tenure:

- **Managing Director/Whole-time Director/Manager**
 - The Company shall not appoint or employ at the same time a Managing Director and a Manager.
 - The Company shall not appoint or re-appoint any person as a Managing Director or a whole-time Director or a Manager for a term exceeding five years at a time. Provided that no re-appointment shall be made earlier than one year before the expiry of his term.
 - The terms and conditions of the appointment shall be in accordance with the provisions of applicable law
- **Independent Director:**
 - 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 re-appointment on passing of a special resolution by the Company in this regard.
 - 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 of the Company. 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. However, if a person who has already served as an Independent Director for 5 (Five) years or more in the Company as on 1st October, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he shall be eligible for appointment for one more term of 5 (Five) years only.

➤ At the time of appointment of an 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 in any Listed company.

➤ An Independent Director shall be under the obligation to inform the Board of Directors of any change in circumstances which may affect his/her independence.

- **KMP:**
- The Nomination and Remuneration Committee shall be responsible for identifying suitable candidate for the position of KMP i.e. Chief Financial Officer, Company Secretary or any such person designated as the KMP.
- A whole-time KMP of the Company cannot hold the office in any other company except in its Subsidiary at the same time. However a Managing Director of the Company can hold the office in one another company provided such appointment is approved by a resolution passed at a meeting of the Board of Directors with the consent of all the Directors present at the meeting and of which meeting and of all the resolutions to be moved thereat, specific notice has been given to all the Directors then in India.

6.3 Evaluation:

The Committee shall carry out evaluation of performance of every Director and KMP at regular intervals (yearly).

The evaluation of performance of the Board, its Committees and Individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

The evaluation of independent directors shall be done by the entire Board of Directors which shall include –

- (a) Performance of the directors; and



- (b) Fulfillment of the independence criteria as specified in these regulations and their Independence from the management

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

6.4 Removal:

Due to the reasons for any disqualification prescribed under the Act or under any other applicable Acts, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing for removal of a Director, KMP or SMP and such removal shall be in compliance with the Act or any other applicable Acts, rules and regulations.

6.5 Retirement:

The Director, KMP and SMP shall retire as per the applicable provisions of the Act and in accordance with the applicable policy of the Company. The Committee or the Board will have the discretion to retain the Director, KMP, and SMP in the same position / Remuneration or otherwise even after their attaining of retirement age, for the benefit of the Company.

7. TERMS OF REMUNERATION FOR THE DIRECTOR, KMP AND SMP

7.1 General:

- The Remuneration payable to the Director, KMP and SMP will be determined by the Committee and recommended to the Board for approval.
- The Committee shall have the power to determine the Remuneration and commission to be paid to the Director which shall be in accordance with the provisions laid down in the Articles of Association of the Company and the Act.
- Increments to the existing Remuneration/compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.
- Where any insurance is taken by the Company on behalf of its Directors, KMP and SMP 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 personnel is proved to be guilty, the premium paid on such insurance shall be treated as part of the Remuneration.
- **Compensation:** The Director, KMP and SMP at the discretion of the Committee may be entitled to fixed Pay on a monthly or yearly basis which may be divided into Basic, Performance Bonus, House Rent Allowance, Medical Allowance, Grade Allowance, etc. Appointment letter or contract will form the basis of eligibility of such pay/ allowances.
- **Benefits:** To continually enhance the standard of living of the Director, KMP and SMP and to ensure continual long term engagement, the Committee may extend benefits/welfare facilities such as group mediclaim insurance policy, long



service award and such other benefits that the Committee deems fit, to the Director, KMP and SMP in accordance with the HR policies of the Company.

7.2 Remuneration to Executive Director, KMP and SMP:

- **Fixed pay:**

The Executive Director, KMP and SMP shall be eligible for a monthly Remuneration as may be approved by the Board on the recommendation of the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to provident fund, pension scheme, medical expenses, etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, whenever necessary.

- **Minimum pay:**

If, in any Financial Year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director, Whole-time Director and Manager in accordance with the provisions of Schedule V of the Act.

- **Provisions for excess Remuneration:**

If any director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit prescribed by this section or without approval required under this section, he shall refund such sums to the company, within two years or such lesser period as may be allowed by the Company, and until such sum is refunded, hold it in trust for the Company. The Company shall not waive the recovery of any sum refundable, unless approved by the Company by special resolution within two years from the date the sum becomes refundable.

7.3 Remuneration to Non- Executive / Independent Director:

- **Remuneration:**

If required, Non-executive/Independent Directors may be paid Remuneration, which shall be fixed as per the slabs and conditions as deemed fit by the Committee and which shall be in accordance with the Articles of Association of the Company and the Act.

- **Sitting Fees:**

The Non- Executive / Independent Director shall receive Remuneration by way of fees for attending Meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. One lakh per Meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

- **Commission:**

Commission may be paid within the monetary limit approved by shareholders, Central Government subject to the limit not exceeding 1% (one percent) of the net profits of the Company computed as per the applicable provisions of the Act.



- **Stock Options:**

An Independent Director shall not be entitled to any stock option of the Company.

10] AMENDMENTS

The Committee or the Board reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever.