



SOVEREIGN DIAMONDS LIMITED

POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

Date of Issue: 30th May, 2014



POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

I. APPOINTMENT OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT:

- The Nomination and Remuneration Committee ('NRC') reviews and assesses Board composition and recommends the appointment of new Directors and members of Senior Management. In evaluating the suitability of individual Board member and member of senior management, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of director and senior management:
 1. All Board appointments and appointments in senior management will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board and the Company as a whole to be effective.
 2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Director and member of senior management for informed and balanced decision making.
 3. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Directors and member of senior management.
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member.
- Additionally, for appointment of Board Members, the Board through the Chairman will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act, 2013 as well as SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 to the extent applicable. The Company shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier or in such other manner as may be permitted under the applicable law.



- In addition to the above criteria, the NRC may refer the following:
 - 1) Policy on Board Membership Criteria– Annexure A
 - 2) Policy on Criteria for determining Independence of Directors (in case of appointment of Independent Directors) – Annexure B

II. REMOVAL OF DIRECTOR AND MEMBER OF SENIOR MANAGEMENT:

- If a Director is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.
- Senior Management personnel will be removed/relieved on the NRC recommendation of NRC to the Board based on the business need and the suitability of the candidate.

ANNEXURE A – POLICY ON CRITERIA FOR BOARD MEMBERSHIP

- The NRC works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and relevant experience in business.
- Characteristics expected of all Directors include independence, integrity, high personal and professional ethics, sound business judgment, ability to participate constructively in deliberations and willingness to exercise authority in a collective manner.

In evaluating the suitability of individual Board members, the NRC considers many factors, including one or more skills such as Business experience, exposure /emerging markets experience, financial experience and risk oversight, technology and innovation, Governance and Regulatory oversight, Sales and Marketing exposure possessed by the Director; and geographic, gender, age, and ethnic diversity.

- The Board evaluates each individual in the context of the Board as a whole, with the objective of having a group that can best perpetuate the success of the Company's business and represent stakeholders' interests through the exercise of sound judgment, using its diversity of experience.



- In determining whether to recommend a Director for re-election, the NRC also considers the Director's past attendance at meetings, participation in meetings and contributions to the activities of the Board/Committees, and the results of the most recent evaluation.
- The Board members are expected to rigorously prepare for, attend and participate in all Board and applicable committee meetings as well as the General Meetings of the Company. Each member is expected to ensure that their other current and planned future commitments do not materially interfere with their responsibilities at the Company.



ANNEXURE B – POLICY ON CRITERIA FOR DETERMINING INDEPENDENCE OF DIRECTORS

1. INDEPENDENCE GUIDELINES

An Independent Director will need to possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the Company's business.

A Director is considered independent if the Board makes an affirmative determination after a review of all relevant information. The criteria of Independence shall be as laid down in the Companies Act, 2013 ('Act') and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') to the extent applicable.

The Board forms an opinion on the integrity, relevant expertise and experience of the proposed candidate considering the following criteria of independence as laid down in the Act and Listing Regulations and as amended from time to time:-

An independent director in relation to a company, means a non-executive director other than a managing director or a whole-time director or a nominee director—

- a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b) (i) who is or was not a promoter of the Company or its holding, subsidiary or associate company or member of the promoter group of the Company;

(ii) who is not related to promoters or directors in the Company, its holding, subsidiary or associate company;
- c) who, apart from receiving director's remuneration, has or had no pecuniary relationship exceeding ten per cent. of his total income or such amount as may be prescribed under the Act/Listing Regulations with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;



- d)
- (i) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two percent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed under the Act/Listing Regulations, whichever is lower, during the three immediately preceding financial years or during the current financial year and who meets the other prescribed criteria;
 - (ii) none of whose relatives—
 - A. is holding any security of or interest in the Company, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the Company of face value not exceeding fifty lakh rupees or two per cent of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;
 - B. is indebted to the Company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed under the Act/ Listing Regulations (i.e. fifty lakh rupees) during the three immediately preceding financial years or during the current financial year;
 - C. has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed under the Act/Listing Regulations (i.e. fifty lakh rupees) during the three immediately preceding financial years or during the current financial year; or
 - D. has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred



to in sub-clause (A), (B) or (C);

Provided that the pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.

e) who, neither himself nor any of his relatives—

- (i) holds or has held the position of a key managerial personnel or is or has been an employee of the company or its holding, subsidiary or associate company or any company belonging to the promoter group of the Company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his employment during preceding three financial years.

- (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten percent or more of the gross turnover of such firm;

- (iii) holds together with his relatives two percent or more of the total voting power of the company; or
- (iv) is a Chief Executive or director, by whatever name called, of any non-profit organization that receives twenty-five percent or more of its receipts or corpus from the company, any of its promoters, directors or its holding, subsidiary or associate company or that



holds two percent or more of the total voting power of the company; or

- (v) is a material supplier, service provider or customer or a lessor or a lessee of the Company.
- f) who is not less than 21 years of age.
- g) who is not a non-independent director of another company on the board of which any non-independent director of the Company is an independent director.

NRC will evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director. The person recommended to the Board for appointment as an Independent Director will need to have the skills and capabilities identified in such description. NRC will also recommend the manner in which the person identified as an Independent Director meets such requirements.

For the purpose of identifying suitable candidates, the NRC may:

- a. use the services of an external agency(ies), if required;
- b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
- c. consider the time commitments of the candidates.

Further, an Independent Director, who resigns from the Company, shall not be appointed as an executive/ whole time director on the Board of the Company, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an Independent Director of the Company.

The Board will also take into consideration any circumstance or situation, which exists or may be reasonably anticipated, that could impair or impact the ability of the proposed candidate to discharge his/her duties with an objective independent judgement and without any external influence.

In case of the appointment of a new Independent director or re-appointment of an Independent director the shareholders will be provided with the following information:

- A brief profile of the Independent Director;
- Nature of expertise in specific functional areas;



- Disclosure of relationships between Independent Director inter-se;
- Names of listed entities in which the person also holds the directorship and the membership of Committees of the board along with listed entities from which the person has resigned in the past three years;
- Shareholding in the company, including shareholding as a beneficial owner;
- The skills and capabilities required for the role and the manner in which the proposed candidate meets such requirements;
- Such other matters as may be required under the applicable law.