



MEGASOFT LIMITED

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CHARTER FOR THE NOMINATION & REMUNERATION COMMITTEE

(I) Objectives

A Nomination and Remuneration Committee (“Committee”) is central to the effective functioning of the Board. The purpose of this Committee shall be to assist the Board in:

- (1) Identifying potential candidates to become Board members.
- (2) Determining the remuneration of the Board of Directors and the sub-committees of the Board.
- (3) Periodic review of Company’s Corporate Governance Guidelines.
- (4) Implementing policies and processes relating to corporate governance principles.
- (5) Ensuring that appropriate procedures are in place to assess Board membership needs and Board effectiveness.
- (6) Reviewing the Company’s policies that relate to matters of Corporate Social Responsibility, including public issues of significance to the Company and its stakeholders.
- (7) Developing and recommending to the Board of Directors for its approval an annual evaluation process of the Board and its Committees.
- (8) Formulating the Disclosure Policy, its review and approval of disclosures; Overseeing Disclosure Committee’s functions and responsibilities.
- (9) To assist the Board’s overall responsibility relating to executive Remuneration and recommend to the Board appropriate Remuneration packages for Whole-time Directors and Senior Management personnel in such a manner so as to attract and retain the best available personnel for position of substantial responsibility with the Company.
- (10) Overall responsibility of approving and evaluating the Remuneration plans, policies and programs for Whole-time Directors and Senior Management.
- (11) The Committee shall also make sure that the Company’s Remuneration packages, Human Resources practices and programs are competitive and effective in motivating highly qualified personnel and establish a suitable relationship between Remuneration and performance.

(II) Membership

The Committee shall consist of a minimum of three independent non-executive directors of the Company. The members of the Committee are appointed by and serve at the discretion of the Board of Directors. These members will serve until removed by the Board or their successors have been duly appointed. The members of the Committee shall meet the “independence” requirements of the Indian Stock Exchanges Listing Agreement.

(III) Responsibilities and duties

The Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority to undertake such other specific duties as the Board of Directors from time to time prescribes and as may be required to be undertaken in terms of any statutory or regulatory requirements.

(IV) Board nomination

Responsibilities relating to the Board / Company:

- (a) Assisting the Board in -
 - (i) Annually reviewing the composition of each Committee and present recommendations for Committee memberships to the Board as appropriate, including selection of Chairman and Members for each of the committees of the Board.
 - (ii) Formulating the desired/preferred board skills, attributes and qualifications for selecting new directors and to review these skill-sets with the Board periodically.
 - (iii) Conducting searches for prospective board members whose skills and attributes reflect the requirements those desired.
 - (iv) Evaluating the selection process of the prospective board members and making recommendation of the proposed nominees for election to the Board of Directors including to fill vacancies on the Board occurring between annual general meetings of the shareholders.
 - (v) Evaluating and making recommendations to the Board regarding director retirements and directors’ offer to resign due to changes in circumstances, in accordance with the Company’s bylaws and Corporate Governance Guidelines of the Company.

- (vi) Evaluating and recommending termination of membership of individual directors in accordance with the Board's corporate governance guidelines, for cause or for other appropriate reasons.
 - (vii) Coordinating and overseeing the annual self-evaluation of the performance of the Board and of individual directors.
 - (viii) Developing the future requirements for the Board as well as its Committees and making recommendations to the Board regarding Company's overall Corporate Governance effectiveness.
 - (ix) Developing and overseeing the execution of a formal Board member capacity building program, including such elements as orientation of new members, and continuing education and training, and a mentoring program with senior Board Members.
 - (x) Annually presenting to the Board a list of individuals recommended for nomination for election to the Board at the annual general meeting of shareholders.
- (b) Other responsibilities -
- (i) The Committee shall coordinate and approve Board and Committee meeting schedules.
 - (ii) The Committee shall consider matters of corporate governance and to review, at least annually, the corporate governance guidelines of the Company and the Committee's Charter and recommend changes as necessary.
 - (iii) The Committee shall review and assess its performance on an annual basis.
 - (iv) The Committee shall report to the Board of Directors its conclusions with respect to the various matters including recommendations, if any, that the Committee has considered at the next meeting of the Board of Directors.
 - (v) The Committee shall review compliance with the Corporate Governance guidelines of the Company.
 - (vi) The Committee shall review annually and recommend to the Board, the Company's annual Corporate Governance report under Clause 49 of the Listing Agreement, for disclosure in the Annual Report.
 - (vii) The Committee shall work with Chairman to plan for CEO / Senior Management succession including plans for interim succession in the event of an unexpected occurrence and submit an annual report to the Board to nominate potential successors to CEO / Senior Management personnel.
 - (viii) The Committee shall perform any other activities in line with this Charter, Company's bylaws, Corporate Governance guidelines as the Board feels appropriate and delegates to the Board Nomination Committee including activities and as may be required to be undertaken in terms of any statutory or regulatory requirements.

(V) Remuneration

(1) Goals and Objectives

Assisting the Board in -

- (a) Reviewing and approving Corporate goals and objectives.
- (b) Evaluate the Whole-time Director performance in the light of these established goals and objectives.
- (c) Recommending to the Board for approval of the Whole-time Director's annual Remuneration level including grant of stock options based on this evaluation.
- (d) Discharging the Board's responsibilities relating to Remuneration payable to the Whole-time Directors including payment of -
 - (i) annual base salary,
 - (ii) annual bonus, including any specific goals and amounts linked to performance,
 - (iii) equity Remuneration,
 - (iv) employment agreements, severance agreements and change in control agreements, and
 - (v) any other benefits, Remuneration or arrangements.
- (e) The Committee shall review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.

(2) Remuneration of Senior Management Personnel

- (a) The term "Senior Management Personnel" means to include all members other than Whole-time Directors and members of the Corporate Executive Council of the Company as may be co-opted from time to time.

- (b) The Committee shall evaluate the performance of members of Company's Corporate Executive Council and shall approve annual Remuneration including grant of stock options for such members, in consultation with the Chairman of the Company. The Committee shall also provide oversight of management's decisions regarding performance and Remuneration of other employees.
- (c) Discharging the Board's responsibilities relating to Remuneration payable to the Senior Management Personnel including payment of -
 - (i) annual base salary,
 - (ii) annual bonus, including any specific goals and amounts linked to performance,
 - (iii) equity Remuneration,
 - (iv) employment agreements, severance agreements and change in control agreements, and
 - (v) any other benefits, Remuneration or arrangements.

(3) Relating to Incentive Remuneration Plan and Equity based plan

Acting as Administrator (as defined therein) of the Company's Employee Stock Option Plans and Employee Stock Purchase Plans drawn up from time to time and administering, within the authority delegated by the Board of Directors and within the terms and conditions of the said Plans. [In its administration of the plans, this Committee may, pursuant to authority delegated by the Board of Directors:

- (i) Determine, approve and ratify grant of stock options or stock purchase rights to individuals eligible for such grants under the plans and applicable law (including grants to individuals subject to the provisions of the SEBI Act, 1992, SEBI (Employee Stock Option Plan and Employee Stock Purchase Plan) Guidelines, 1999, so long as the Committee is comprised entirely of "disinterested persons", and
- (ii) Approve and amend terms of such Stock Option Plans / Employee Stock Purchase Plans as it deems appropriate including amendments and changes in the number of shares reserved for issuance thereunder.

(4) Relating to Remuneration & Benefits Plan

Reviewing and making recommendations to the Board of Directors regarding any other plans including Deferred Remuneration Plan that are proposed for adoption or adopted by the Company for the provision of Remuneration & Benefits to Whole-time Directors and Senior Management Personnel of the Company.

Reviewing and overseeing Company's employee benefit programs including deferred benefits plans and retirement plans.

The Committee shall perform any other activities in line with this Charter, Company's bylaws, Corporate Governance guidelines as the Board feels appropriate and delegates to the Remuneration Committee including activities and as may be required to be undertaken in terms of any statutory or regulatory requirements.

The Committee shall perform an annual evaluation on its performance, using the established procedures by Nomination Committee.

(5) Disclosure in Annual report

The Committee shall review and approve annual disclosure with respect to Remuneration paid to its Chairman, Executive Directors and Senior Management personnel.

(VI) Retaining a Search or Consulting Firm

The Committee shall have the authority to retain any search firm engaged to assist in identifying director candidates, and to retain outside counsel and any other advisors as the Committee may deem fit in its sole discretion. The Committee shall have the authority to approve related fees and other terms. Any communications between the Committee and the external legal counsel in the course of obtaining legal advice will be considered as attorney-client (company) privileged communication and the Committee shall take all necessary steps to preserve the privileged nature of those communications.

The Committee members may if they so desire and at their sole option take the assistance of a Remuneration Consultant for evaluation of Remuneration payable to Whole-time Directors and Senior Management Personnel as well

as approve the firm's fees and other terms. The Remuneration Committee shall also have the authority to obtain advice and assistance from internal or external legal, accounting or other advisors. Any communications between the Committee and the external legal counsel in the course of obtaining legal advice will be considered as attorney client (company) privileged communication and the Committee shall take all necessary steps to preserve the privileged nature of those communications.

The Committee shall have full access to Company's records, its employees and external advisors as necessary to perform its duties.

(VII) Meetings

The Committee will meet at least four times in a year. Additional meetings may happen as the Committee deems it appropriate and advisable. Committee members shall be furnished with the copies of minutes of each meeting. The Committee may meet in person or through other methods like video conferencing, audio conferencing, etc. as may be permitted by law from time to time.

(VIII) Circular Resolutions

The decisions to be taken by the Committee members may be taken by way of a circular resolution wherever it is not possible to have a meeting of the Committee members.

(IX) Report

The Committee shall report to the Board at its next Board meeting, which will be incorporated as a part of the minutes of the Board of Directors meeting.

(X) Minutes

The Company Secretary will maintain minutes of its meetings, which will be submitted to the Board for noting.