



SUMMIT POWER LIMITED

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Nomination and Remuneration Policy

[BSEC Notification dated 3rd June 2018]

(Corporate Governance Code: Condition: 1.6)



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1. Overview

Preface

This Nomination and Remuneration Policy (“the Policy”) has been verbalized to comply with the Corporate Governance Code dated 3 June 2018, circulated by the Bangladesh Securities and Exchange Commission (BSEC) in conjunction with the Companies Act 1994, SPI RNC Charter, Code of Conduct of Chairperson, Board of Director and Chief Executive Officer dated 27 April 2021 of the Company and other regulatory requirements. This Policy provides directions and guidelines to the Nomination and Remuneration Committee (NRC) to determine attributes and qualifications for appointment as well as determine remuneration package for the Board Members and Top Level Executives and/or Key Management Personnel of the Company, as it is designated to consider by the Board, to ensure that Top Level Executives and/or Key Management Personnel are provided with appropriate remuneration and incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The Company also recognizes that distinctive Board Members and Top Level Executives/Key Management Personnel with vast experience and expertise, outlined in the Policy, will help attain its strategic objectives efficiently.

Applicability

This Policy shall be applicable and binding on the Board Members and Top Level Executives/Key Management Personnel and to the same extent for identifying the Company’s needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria, and developing, recommending and reviewing annually the Company’s human resources and training policies;

Effective Date

The Policy shall be effective from 15 November 2021 and onwards.

2. Role of the NRC in relation to Nomination and Remuneration Policy

The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experience and independence of Board Members and Top Level Executives/Key Management Personnel, as well as a policy for formal process of considering remuneration package of Board Members and Top level executives/Key Management Personnel.

NRC shall oversee, among others, the following matters and submit reports with recommendations to the Board:

- a. formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the Board Members and Top Level Executive/Key Management Personnel, considering the following:
 - i. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable Directors and Top Level Executives/Key Management Personnel to run the Company successfully;
 - ii. the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and



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- iii. remuneration to Board Members, Top Level Executives/Key Management Personnel involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- b. devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;
- c. identifying persons who are qualified to become Directors and who may be appointed to Top Level Executive positions in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
- d. formulating the criteria for evaluation of performance of Independent Directors and the Board;
- e. identifying the Company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and
- f. developing, recommending and reviewing annually the Company's human resources and training policies;

3. Nomination, Appointment and Evaluation Criteria of Board Members

- a. The NRC shall keep under review the leadership needs of the organisation, both Executive and Non-Executive Board Members including Independent Directors with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace, and shall make recommendations to the Board regarding plans for succession both for Executive and Non-Executive Directors including Independent Directors.
- b. The NRC shall be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise. In the case of an individual recommended to fill a Board vacancy created by an increase in the size of the Board, the NRC shall also recommend to the Board the class of directors (executive or non-executive or independent director) in which the individual should serve, if appropriate.
- c. In recommending a candidate for appointment to the Board including independent directors, the NRC shall consider the criteria, objectives and procedures for selecting Board members including factors such as independence, diversity, age, future succession planning, integrity, qualification, skills, expertise, breadth of experience, knowledge about the Company's business and industry, and willingness to devote adequate time and effort to Board responsibilities in the context of the existing composition and needs of the Board and its committees and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment if required.
- d. When considering the meaning and tests of independence of an Independent Director, the NRC should be guided by the Corporate Governance Code that an Independent Director is one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of a director's independent business judgement with a view to safeguarding and reinforcing the best interests of the Company.



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- e. The NRC shall review the appropriateness of continued service on the Board of members whose business or professional affiliations or responsibilities have changed or who contemplate accepting a directorship on another public company board or an appointment to a committee of another public company board.
- f. The NRC shall identify Board members qualified to fill vacancies on any committee of the Board (other than the NRC) and recommend that the Board appoint the identified member or members to the relevant committee.
- g. The NRC shall ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.
- h. The NRC shall coordinate the annual evaluation of the structure, organisation, policies, performance and effectiveness of the Board and its committees.
- i. The NRC shall make recommendations to the Board regarding plans for succession for both executive and non-executive directors.
- j. The Board shall seek approval of the appointment of any director, where applicable, from shareholders at the General Meeting.
- k. The NRC shall nominate and recommend for appointment of any director who can direct the Company in implementing the best corporate governance practices.
- l. The NRC while recommending for appointment of any directors including independent directors, shall ensure compliance with the Companies Act 1994, Corporate Governance Code of BSEC and Memorandum and Articles of Association and Code of Conduct Chairperson, Board of Director and Chief Executive Officer dated 27 April 2021 of the Company and other relevant laws, rules and regulations as applicable.
- m. The term of holding office of a Director shall be in compliance with the Companies Act 1994, the Corporate Governance Code by BSEC and Code of Conduct Chairperson, Board of Director and Chief Executive Officer.
- n. The removable and retirement of office of a Director shall also be in compliance with the Companies Act 1994, the Corporate Governance Code by BSEC and Code of Conduct Chairperson, Board of Director and Chief Executive Officer.
- o. The performance appraisals of Executive Directors shall be conducted mainly focusing on performance of duties and responsibilities, professional conduct, strategic thinking and leadership role usually on a yearly basis that shall be evaluated by NRC.
- p. The performance evaluation of Non-Executive Directors and independent directors shall be carried out once in a year focusing mainly on the frequency of attendance in the Board and Committee meetings, competence to contribute in the decision making process of the Board and Committee meetings, ability to be involved in a constructive discussion in regards to the business operations towards achieving strategic objectives and relationship and coordination with other Board members.

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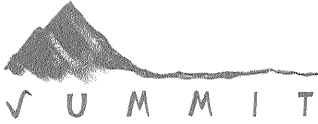
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4. Nomination, Appointment and Evaluation Criteria of Top Level Executives /Key Management Personnel

- a. The NRC shall at least annually (1) review and approve the corporate goals and objectives relevant to the compensation of the Top Level Executives/Key Management Personnel, (2) evaluate the performance of the Top Level Executives/Key Management Personnel in light of these goals and objectives and (3) set the Top Level Executives/Key Management Personnel compensation level based on this evaluation including salary, allowances, bonuses, awards, the incentive opportunity, the long-term incentive opportunity, and any special or supplemental benefits.
- b. The NRC shall review and recommend to the Board on the employment contract of the Top Level Executives/Key Management Personnel.
- c. Whiling recommendation for the appointment of Top Level Executives/Key Management Personnel according to the Company's requirement to the Board (as applicable), the NRC, in consultation with the management and in the context of Human Resources Policy and the Code of Conduct and Ethics applies to the Management, shall ascertain the identified individual's integrity, qualification, expertise, experience and the ability to give insight in respective sector/ areas through the Company's internal recruitment process.
- d. The NRC while recommending for appointment of Top Level Executives/Key Management Personnel shall ensure the compliance with the Companies Act 1994, Corporate Governance Code of BSEC and Memorandum and Articles of Association, the Code of Conduct and Ethics applies to the Management, Service Rules and HR Policy Manual of the Company and other relevant laws, rules and regulations as applicable.
- e. The term of holding office of a Top Level Executives/Key Management Personnel shall be in compliance with the Companies Act 1994, the Corporate Governance Code and the Company's Service Rules and HR Policy.
- f. The removable and retirement of the office of a Top Level Executives/Key Management Personnel shall be in compliance with the Companies Act 1994, the Corporate Governance Code and the Company's Service Rules and HR Policy.
- g. The performance evaluation of Top Level Executives/Key Management Personnel shall be carried out once in a year focusing mainly on the performance in line with achieving yearly operational and financial goals or budgetary numbers and such other criteria set by NRC.

5. Remuneration Criteria of Board Members and Top Level Executives/Key Management Personnel

- a. The components of remuneration package of executive directors include basic pay, allowances, festival bonus and any other perks and benefits as the Committee may consider appropriate. Increments to the existing remuneration structure may be recommended by the Committee to the Board, which shall also be approved by the shareholders in the General Meeting (if applicable).
- b. Non-Executive Directors and independent directors shall be remunerated by way of only Board and Committee meeting attendance fees, as per the Memorandum and Articles of Association of the Company in compliance with applicable laws and regulations including any board decisions thereon.



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- c. The remuneration of Top Level Executives/Key Management Personnel usually comprise of basic salary plus any allowance, festival bonus, incentive bonus, earned leave encashment, annual increment as recommended by NRC and in line with yearly operating budget, gratuity, provident fund, group life insurance, etc.
- d. The NRC shall ensure that there are policy and procedures for claims for expenses, and delegations of approval authorisations to Board Members and Top Level Executives/Key Management Personnel, as appropriate.
- e. The NRC shall review and note annually the remuneration trends across the Company, having regard to any major changes in employee benefit structure, and review the ongoing appropriateness and relevance of the remuneration policy adopted by the NRC and the Company.
- f. The NRC shall annually review executive compensation trends and policies at peer groups of companies and make relevant modifications to its own policies and practices to take into account market practice.
- g. The NRC shall oversee the implementation and administration of the compensation plans for Board Members Top Level Executives/Key Management Personnel of the Company, including pension, savings, incentive and equity-based plans (if any), and setting the targets for any performance related-pay schemes of the Company; provided that the RNC shall not exercise any of its authority with respect to any of its members.
- h. The NRC shall ensure that performance-based compensation efficiently focuses on the long-term success of the Company and is not able to be manipulated through short-term reporting mechanisms.

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