

SHARAT INDUSTRIES LIMITED

NOMINATION & REMUNERATION POLICY

This Nomination and Remuneration Policy is being formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and the Listing Agreement, as amended from time to time.

Definitions:

“ **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;

“**Key Managerial Personnel**” means:

- i) Managing Director, whole time director, Chief Executive Officer
- ii) Chief Financial Officer;
- iii) Company Secretary; and
- iv) Such other officer as may be prescribed.

“**Senior Managerial Personnel**” mean the personnel of the company who are Business Leader and above excluding Board of Directors.

Objective:

The objective of the policy is to ensure that :

- a) To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- b) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation.
- c) To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management .

Role of the Committee:

The role of the Nomination and Remuneration Committee will be the following:

- a) To formulate criteria for determining qualifications, positive attributes and independence of a Director.
- b) To formulate criteria for evaluation of Independent Directors and the Board.
- c) To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this policy.
- d) To carry out evaluation of Director's performance.
- e) To recommend to the Board the appointment and removal of Directors and Senior Management.
- f) To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
- g) To devise a policy on Board diversity, composition, size.
- h) Succession planning for replacing Key Executives and overseeing.
- i) To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

APPOINTMENT AND REMOVAL OF DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend his / her appointment, as per Company's Policy.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has authority to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
- c) The Company shall not appoint or continue the employment of any person as Managing Director/ Whole-time Director 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 passing a special resolution.

TERM / TENURE

a) Director

The Committee shall screen, review and recommend appointment of Directors based on their qualification, experience, skill and knowledge to guide the Company.

b) Managing Director:

The Company shall appoint or re-appoint its Managing Director / Whole time Director or CEO for a term not exceeding three years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

c) 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 and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director.

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 or such other number as may be prescribed under the Act.

EVALUATION

The Committee shall carry out evaluation as per Policy for evaluation of the performance of the board of directors.

REMOVAL

The Committee may recommend with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

RETIREMENT

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board 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.

REMUNERATION TO DIRECTORS/KMP/SENIOR MANAGEMENT PERSONNEL

- a) The remuneration of the Managing Director and Whole time Director (ED) is recommended by the Remuneration Committee based on criteria such as industry benchmarks, the Company's performance vis -à-vis the industry, responsibilities shouldered, performance/track record, macro-economic review on remuneration packages of heads of other organizations and is decided by the Board of Directors. The Company pays remuneration by way of salary, perquisites and allowances (fixed component), incentive remuneration and/or commission (variable components) to its Managing Director and Whole time Director (ED). Annual increments are decided by the Remuneration Committee within the salary scale approved by the Members and are effective from April 1, every year.
- b) A sitting fee of Rs. 5,000/- for attendance at each meeting of the Board, Audit Committee, Management Committee, Remuneration Committee and Nominations Committee and Rs.1,000/- for Stakeholder Relationship Committee is paid to its Members (excluding Managing Director and Whole time Director). The sitting fees paid/payable to the non-Executive Directors is excluded whilst calculating the above limits of remuneration in accordance with Section 198 of the Act. The Company also reimburses out-of-pocket expenses to Directors attending meetings held at a city other than the one in which the Directors reside.
- c) Remuneration of Senior Management employees (including Business Heads, Key Managerial Personnel) largely consists of basic remuneration, perquisites, allowances and performance incentives. The components of remuneration vary for different employee levels and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him/her, his/her individual performances, etc.

POLICY EFFECTIVE DATE

This Policy comes into effect from 13th February 2019.