

**SHANKARA BUILDING PRODUCTS LIMITED**

**NOMINATION AND REMUNERATION POLICY**

## 1. PREAMBLE

Shankara Building Products Limited (the “**Company**”) has formulated this policy to provide a framework for nomination and remuneration of members of the board of directors of the Company (the “**Board**”), key managerial personnel, and other employees of the Company (the “**Policy**”).

This Policy is guided by the principles and objectives as enumerated in Section 178 of the Companies Act, 2013 and the rules made thereunder, each as amended (the “**Act**”) and Regulation 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”), to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company. The Board has constituted a nomination and remuneration committee (the “**NR Committee**”) which is in compliance with the requirements of the Companies Act, 2013.

## 2. OBJECTIVE:

The NR Committee and this Policy shall be in compliance with Section 178 of the Act. The Key Objectives of the NR Committee would be:

- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director’s performance;
- 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 for the directors, key managerial personnel and other employees;
- To ensure that level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- To ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- To ensure that the remuneration to directors, key managerial personnel and senior management 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;
- Devising a policy on Board diversity;

## 3. EFFECTIVE DATE

This Policy shall be effective from **19<sup>TH</sup> SEPTEMBER, 2016**

## 4. DEFINITIONS

“**Board**” means Board of Directors of the Company, as constituted from time to time.

“**Directors**” mean Directors of the Company, as appointed from time to time.

**“Key Managerial Personnel” or “KMP” means**

- Chief Executive Officer or the Managing Director or the Manager;
- Whole-time director;
- Chief Financial Officer;
- Company Secretary; and
- Such other officer as may be prescribed.

**“Senior Management Personnel”** means personnel of the Company who are members of its core management team (excluding Board of Directors) comprising all members of management one level below the executive directors, including the functional heads

## **5. ROLE OF COMMITTEE**

### **5.1 Matters to be dealt with, perused and recommended to the Board by the NR Committee**

The Committee shall:

- (i) Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- (ii) Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- (iii) Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- (iv) Formulate criteria for evaluation of performance of independent directors and the Board;
- (v) Decide 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.

### **5.2 Policy for appointment and removal of Director, KMP and Senior Management**

#### **(i) Appointment criteria and qualifications**

- (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 to the Board his / her appointment.
- (b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The NR Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- (c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the retirement age fixed by the Board, in compliance with the provisions of the Act or as approved by the Shareholders pursuant to the provisions of the Act.

#### **(ii) Term / Tenure**

- (a) Chairman/Managing Director/Whole-time Director: The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Whole-time Director for a term not exceeding five years at a time or as may be prescribed under the Act. No re-appointment shall be made earlier than one year before the expiry of term.
- (b) 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, 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. However, if a person who has already served as an Independent Director for 5 years or more in the Company as on October 1, 2014 or such other date as may be determined by the NR Committee as per regulatory requirement; he/ she shall be eligible for appointment for one more term of 5 years only.
  - 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.

**(iii) Evaluation**

The Committee shall carry out evaluation of performance of the Board/NR Committee and individuals at regular interval (yearly).

**(iv) Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, the NR Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

**(v) Retirement**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act or 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, subject to the provisions of the Act.

**6. REMUNERATION OF NON-EXECUTIVE AND INDEPENDENT DIRECTORS**

- 6.1. Non-Executive and Independent Directors (“NEDs”) will be paid remuneration by way of sitting fees. The remuneration/ / compensation to the NEDs will be determined by the Board in accordance with this Policy.
- 6.2. The sitting fee payable to the NEDs for attending the Board and NR Committee meetings will be fixed, subject to the statutory ceiling. The fee will be reviewed periodically and aligned to comparable best in class companies.
- 6.3. NEDs are entitled to be paid all travelling and other expenses they incur for attending to the Company’s affairs, including attending meetings of the Company.
- 6.4. The remuneration payable by the Company to NEDs shall be subject to the conditions specified in the Act and the SEBI Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements.

## **7. REMUNERATION OF EXECUTIVE DIRECTOR**

- 7.1 The compensation paid to the executive directors (including managing director) will be within the scale approved by the shareholders. The elements of the total compensation, approved by the NR Committee will be within the overall limits specified under the Act.
- 7.2 The NR Committee will determine the annual variable pay compensation in the form of annual incentive and annual increment for the executive director based on Company’s and individual’s performance as against the pre-agreed objectives for the year.
- 7.3 In case of inadequacy of profit in any financial year, the remuneration payable to the executive director shall be further subject to the relevant provisions of the Act.
- 7.4 Executive directors will not be paid sitting fees for any Board/ committee meetings attended by them.
- 7.5 The remuneration payable by the Company to the executive directors shall be subject to the conditions specified in the Act and the SEBI Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements.

## **8. REMUNERATION TO KEY MANAGERIAL PERSONNEL / OTHER EMPLOYEES**

- 8.1. The Company’s total compensation for Key Managerial Personnel as defined under the Act / other employees will consist of:
  - fixed compensation
  - variable compensation in the form of annual incentive
  - benefits
  - work related facilities and, perquisites

- 8.2. Fixed compensation will be determined on the basis of size and scope of the job typically as reflected by the level or grade of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation will include basic salary, housing allowance, leave travel allowance and a cash allowance.
- 8.3. The annual incentive (variable pay) of executives will be linked directly to the performance of the Company
- 8.4. Based on the grade and seniority of employees, benefits for employees include:
- Health-Related
  - Health (hospitalization) insurance
  - Accident and life insurance
  - Retirement-related
  - Contribution to a superannuation fund (in addition to statutory benefits such as provident fund account, gratuity, etc.)
- 8.5. Employees will also be eligible for work related facilities and perquisites as may be determined through human resources policies issued from time to time based on the grade of the employee.
- 8.6. A formal annual performance management process will be applicable to all employees, including senior executives. Annual increases in fixed and variable compensation of individual executives will be directly linked to the performance ratings of individual employee.
- 8.7. Employees may be eligible for severance payments in accordance with the termination clause in their employment agreement subject to applicable regulatory requirements

## **9. MEMBERSHIP**

The NR Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors.

- (i) Minimum two (2) members shall constitute a quorum for the NR Committee meeting.
- (ii) Membership of the NR Committee shall be disclosed in the Annual Report.
- (iii) Term of the NR Committee shall be continued unless terminated by the Board of Directors.

## **10. CHAIRPERSON**

- (i) Chairperson of the NR Committee shall be an Independent Director.
- (ii) Chairperson of the Company may be appointed as a member of the NR Committee but shall not be a Chairman of the NR Committee.
- (iii) In the absence of the Chairperson, the members of the NR Committee present at the meeting shall choose one amongst them to act as Chairperson.

- (iv) Chairman of the NR Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

## **11. FREQUENCY OF MEETINGS**

The meeting of the NR Committee shall be held at such regular intervals as may be required.

## **12. NR COMMITTEE MEMBERS INTEREST**

A member of the NR Committee is not entitled to participate in the discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated.

The NR Committee may invite such executives, as it considers appropriate, to be present at the meetings of the NR Committee.

## **13. SECRETARY**

The Company Secretary of the Company shall act as Secretary of the NR Committee.

## **14. VOTING**

Matters arising for determination at NR Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

## **15. MINUTES OF COMMITTEE MEETING**

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the NR Committee meetings will be tabled at the subsequent Board and Committee meeting.

## **16. ADOPTION, CHANGES AND DISCLOSURE OF INFORMATION**

- (i) This Policy and any changes thereof will be approved by the Board based on the recommendation(s) of the NR Committee.
- (ii) This policy may be reviewed at such intervals as the Board or NR Committee may deem necessary.
- (iii) Such disclosures of this Policy as may be required under the Act and SEBI Listing Regulations may be made.

## **17. DISSEMINATION OF POLICY**

A copy of this Policy shall be handed over to all Directors within one month from the date of approval by the Board. This Policy shall also be posted on the website of the Company and the details of this Policy, including the evaluation criteria, shall be mentioned in the annual report of the Company.

**DATE: 19<sup>TH</sup> SEPTEMBER, 2016**