

SHAH CONSTRUCTION COMPANY LIMITED

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NOMINATION AND REMUNERATION POLICY

This Policy shall be effective from April 1, 2019.

Preamble

Pursuant to Section 178 of the Companies Act, 2013 and the Rules framed thereunder (as amended from time to time) (the “**Act**”) and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) (the “**SEBI Listing Regulations**”), the Board of Directors of every listed company is required to constitute the Nomination and Remuneration Committee.

I. Objective

In order to comply with the requirements of Section 178 of the Act and Regulation 19 of the SEBI Listing Regulations and any other applicable provisions, the Nomination and Remuneration Committee of the Board of Directors of the Company (the “**Committee**”) had formulated this policy (the “**Policy**”).

The key objectives of the Policy are as follows:

- a.** To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive / Non-Executive) and recommend to the Board of Directors of the Company (the “**Board**”), policies relating to the remuneration (**payable in whatever form**) of the Directors, Key Managerial Personnel and other employees.
- b.** To formulate criteria for evaluation of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c.** To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- d.** To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- e.** To devise a Policy on Board Diversity.
- f.** To develop a succession plan for the Board and to regularly review the plan.
- g.** To determine whether to extend or continue the term of appointment of the Independent Director(s), on the basis of the report of performance evaluation of Independent Directors.

II. Definitions

- a. “**Act**” means the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.
- b. “**Board**” means the Board of Directors of the Company.
- c. “**Directors**” shall mean Directors of the Company.
- d. “**Key Managerial Personnel**” or “**KMP**” means personnel as defined sub-section 51 of Section 2 of the Companies Act, 2013.
- e. “**Senior Management**” shall mean officers/personnel of the listed entity who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below the Chief Executive Officer/Managing Director/Whole Time Director/Manager (including Chief Executive Officer/Manager, in case they are not part of the board) and shall specifically include Company Secretary and Chief Financial Officer.
- f. “**Independent Director**” means a director referred to in Section 149(6) of the Act.

III. Appointment and removal of Directors, KMPs and Senior Management

a. Appointment criteria and qualifications:

- i. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management and recommend to the Board his / her appointment.
- ii. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has the discretion to decide whether qualifications, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- iii. The Company shall not recommend or appoint or continue the employment of any person as the Managing Director, Whole-Time director or Manager within the meaning of the Act, who has attained the age of 70 (seventy) years. Provided that the appointment of such a person who has attained the age of 70 (seventy) years shall be made with the approval of the Shareholders by passing a special resolution, based on the explanatory statement annexed to the notice for the Meeting of the Shareholders for such motion indicating the justification for appointment or extension of appointment beyond the age of 70 (seventy) years.

b. Term / Tenure:

i. Managing Director/Whole-Time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing

Director or Executive Director for a term not exceeding 5 (five) years at a time. No re-appointment shall be made earlier than 1 (one) year before the expiry of term.

c. Independent Director:

- i. An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board 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.
- ii. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of 3 (three) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- iii. At the time of appointment of Independent Director(s) it should be ensured that number of Boards on which such Independent Director serves is restricted to 7 (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 or the SEBI Listing Regulations.

d. Evaluation:

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management at regular intervals (yearly).

The evaluation of performance of the Board, its Committees and Individual Directors to be carried out either by the Board or by the Nomination and Remuneration Committee and review its implementation and compliance.

The evaluation of Independent Directors shall be done by the entire Board of Directors which shall include –

- (a) performance of the directors; and
- (b) fulfillment of the independence criteria as specified in these regulations and their Independence from the management:

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

e. Removal:

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

f. Retirement:

The Directors, KMP and Senior Management 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 in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

g. Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management:

- i. The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the Shareholders of the Company and Central Government, wherever required.
- ii. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down as per the provisions of the Act.
- iii. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director or as laid down as per the provisions of the Act.

h. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management:

- i. The Whole-time / Executive / Managing Director / KMP and Senior Management shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including but not limited to, employer's contribution to Provident Fund (P.F.), Superannuation fund, Pension Scheme, medical expenses, club fees, leave travel allowance, etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the Shareholders and Central Government, wherever required.

ii. **Minimum Remuneration:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time / Executive / Managing Director in accordance with the provisions of Section 197 of the Act and Schedule V to the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

iii. **Provisions for excess remuneration:**

If any Whole-time / Executive / Managing Director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required,

he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

i. Remuneration to Non- Executive / Independent Director:

1) Remuneration / Commission:

The remuneration / commission shall be in accordance with the statutory provisions of the Act and the Rules made thereunder for the time being in force.

2) Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of the Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Act, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

3) Limit of Remuneration/Commission:

Remuneration/ Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

4) Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

IV. Membership:

- a) The Committee shall comprise of at least (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent Directors.
- b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act and the SEBI Listing Regulations.
- c) The quorum for the Meeting of the Nomination and Remuneration Committee shall either be two members or one third of the total strength of the Committee, whichever is higher (including at least one independent director in attendance).
- d) Membership of the Committee shall be disclosed in the Annual Report.
- e) Term of the Committee shall be continued unless terminated by the Board of Directors.

V. Chairperson

- a) Chairperson of the Committee shall be an Independent Director.
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- d) Chairman of the Nomination and Remuneration Committee meeting could be present at the annual general meeting or may nominate some other member to answer the shareholders' queries.

VI. Frequency of Meetings:

The Nomination and Remuneration Committee shall meet at least once a year.

VII. Committee members' interests:

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

VIII. Secretary:

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

IX. Duties of the Nomination & Remuneration Committee

Duties with respect to Nomination:

The duties of the Committee in relation to nomination matters include:

- Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- Ensuring that on appointment to the Board, Independent Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- Identifying and recommending Directors who are to be put forward for retirement by rotation.
- Determining the appropriate size, diversity and composition of the Board;
- Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- Making recommendations to the Board concerning any matters relating to the continuation

in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.

- Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- Recommend any necessary changes to the Board; and
- Considering any other matters, as may be requested by the Board.

Duties with respect to Remuneration:

The duties of the Committee in relation to remuneration matters include:

- To consider and determine the remuneration policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- To **recommend and** approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company.
- To delegate any of its powers to one or more of its members or the Secretary of the Committee.
- To consider any other matters as may be requested by the Board.

X. Minutes of Committee Meeting

Proceedings of all Meetings must be signed by the Chairperson of the Committee at the subsequent Meeting. Minutes of the Committee Meetings will be tabled at the subsequent Board and Committee Meeting.

XI. Deviations from this Policy

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

XII. Amendment:

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

POLICY FOR EVALUATION OF THE PERFORMANCE
OF THE BOARD OF DIRECTORS OF SHAH CONSTRUCTION COMPANY LIMITED

1) INTRODUCTION

SHAH CONSTRUCTION COMPANY LIMITED (hereinafter referred to as the “**Company**”) believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior/manner, in consonance with the Company’s Code of Conduct for its employees and also for the Board of Directors (the “**Board**”). The honesty, integrity and sound judgement and performance of the Directors and the Senior Management are key criteria for the success and for building a good reputation of the Company. Each Director and executive in the Senior Management is expected to comply in the letter and spirit of this Policy. Apart from this Code, the Code of Conduct for Directors/Employees shall also be applicable, additionally and specifically to the Senior Management of the Company *mutatis mutandis*. Any actual or potential violation of these Codes by the Directors would be the matter of serious concern for the Company.

Therefore, the Company has formulated this Policy to comply with various provisions under the Act and the Listing Regulations and also the formal annual evaluation made by the Board of its own performance (self-appraisals) and that of its Committees and individual Directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Act. The Committee shall evaluate the performance of each Director as per sub-section (2) of Section 178 and based on the functions of the Independent Directors as indicated under Schedule IV (as per Section 149) to the Act and the Rules made thereunder.

2) DEFINITIONS

- a) “The Act”: means The Companies Act, 2013 and the rules made thereunder;
- b) “The Company”: means Shah Construction Company Limited.
- c) “The Director” or “the Board”: in relation to the Company, shall mean and deemed to include the collective body of the Board of Directors of the Company including the Chairman of the Company.
- d) “The Independent Director”: shall mean an Independent Director as defined under Section 2 (47) to be read with Section 149 (6) of the Act.
- e) “The Policy” or “this Policy”: shall mean the Policy for Evaluation of performance of Board of Directors of the Company.
- f) “The Committee” or “this Committee”: shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of Act.

3) OBJECTIVE

The Object of this policy is to formulate the procedures and also to prescribe and lay down the criteria to evaluate the performance of the entire Board of the Company.

4) VARIOUS KINDS OF PERFORMANCE EVALUATION

A. APPRAISAL SYSTEM:

Appraisal of each Director of the Company shall be based on the criteria as mentioned herein below. This appraisal is mandatory and will be done under the provision of the clause (p) of sub-section (3) of Section 134 of the Act.

The Committee has laid down the criteria for evaluation of performance of executive Directors, Independent Directors, Chairman and the Board:-

1. Attendance and contribution at Board and Committee meetings
2. His/her stature, appropriate mix of expertise, skills, behavior, experience, leadership qualities, sense of sobriety and understanding of business, strategic direction to align company's value and standards.
3. His/her knowledge of finance, accounts, legal, investment, marketing, foreign exchange/ hedging, internal controls, risk management, assessment and mitigation, business operations, processes and Corporate Governance.
4. His/her ability to create a performance culture that drives value creation and a high quality of debate with robust and probing discussions.
5. Effective decisions making ability to respond positively and constructively to implement the same to encourage more transparency.
6. Open channels of communication with executive management and other colleague on Board to maintain high standards of integrity and probity.
7. Recognize the role which he/she is expected to play, internal Board Relationships to make decisions objectively and collectively in the best interest of the Company to achieve organizational successes and harmonizing the Board.
8. His/her global presence, rational, physical and mental fitness, broader thinking, vision on corporate social responsibility etc.
9. Quality of decision making on source of raw material/procurement of roughs, export marketing, understanding financial statements and business performance, raising of finance, best source of finance, working capital requirement, forex dealings, geopolitics, human resources etc.
10. His/her ability to monitor the performance of management and satisfy himself with integrity of the financial controls and systems in place by ensuring right level of contact with external stakeholders.
11. His/her contribution to enhance overall brand image of the Company.

**CRITERIA FOR
EVALUATION BOARD
EVALUATION**

| Structure |
|---|
| The board has the right composition which brings in diversity, experience, specialized skills and expertise for effective functioning of the board. |
| The board members have a clear and shared understanding of their roles and responsibilities. |
| Strategic Orientation |
| The board has a good understanding of the key performance drivers of the business. |
| The financial and non-financial value drivers in place to focus on the enhancement of stakeholder value. |
| The board has visibility on key talent and succession plans in the business. |
| The board is satisfied with the effectiveness of the risk management architecture to anticipate, measure and mitigate them. |
| The board focuses on the right issues and priorities. |
| Board Functioning and Team Dynamics |
| The board meetings conducted in a manner which facilitates open discussions and robust debate. |
| The board members trust and value each other's' experience and expertise to enable healthy discussion. |
| The board is able to discuss the agenda and other issues with senior management in sufficient depth. |
| The board receives adequate information to enable discussions/decision making during board meetings. |
| As compared to the other boards I serve, I find serving on this board a satisfying experience. |
| The board is independent in its functioning. |
| Overall effectiveness of the board. |

COMMITTEE EVALUATION

| Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Risk Management Committee |
|---|
| The objectives of the committee well defined and understood |
| The committee is delivering on the defined objectives |
| The committee has the right composition to deliver its objectives |
| Any other comments |

INDIVIDUAL EVALUATION

| Parameters |
|--|
| Leading Self |
| Understands the organization and the sector(s) in which the business operates. |
| Understands key performance drivers of the business. |
| Provides value added perspectives to the board. |
| Attends and actively contributes to all board debates and discussions. |
| Leading Others |
| Collaborates and encourages healthy discussion among board members. |
| Gives authentic and clear feedback in board discussions. |
| Leading Business |
| Leverages expertise and networks to meaningfully contribute to board discussions. |
| Ability to protect and leverage the interest of the Shah Construction Company Limited across all decisions and recommendations |
| Possess sufficient skills, expertise and level of preparedness which allows the person to clearly add value to discussions and decisions. |
| Is able to change views of others in a constructive manner. |
| Evaluation of Independent Directors |
| Is able to discharge his/her duties with an objective independent judgement and without an external influence (only for Independent Directors). |
| Overall effectiveness as a board member. |

EVALUATION OF CHAIRPERSON

| Parameters |
|---|
| The Chairperson's leadership style is appropriate. (e.g.: decisive, open minded, facilitates deliberation, deals effectively with dissent and works constructively towards consensus) |
| While setting the agenda for the board meetings, the Chairperson encourages and seeks the views and suggestions of the independent directors. |
| The Chairperson reaches out to all members to seek their contribution on substantive issues. |
| The Chairperson allocates a fair amount of time to all board members to express their points of view. |
| Any additional comments. |

B. EVALUATION OF THE PERFORMANCE

The Committee shall evaluate the performance of each Director of the Company under the Nomination and Remuneration Policy of the Company framed in accordance with the provisions of Section 178 of the Companies Act, 2013 and based on their functions as mentioned in the Code of Conduct of the Directors and the criteria for the evaluation of the performance as prescribed in the clause 6 of this policy.

Evaluation of Independent Director shall be carried on by the entire Board in the same way as it is done for the executive directors of the Company except the Independent Director getting evaluated.

Based on the performance evaluation of each and every Director and the Chairman of the Company, the Committee shall provide the ratings based on each criteria and sub-criteria.

C. EFFECTIVENESS OF THE BOARD

Based on the ratings given by the Committee to each Director, the overall effectiveness of the Board shall be measured and accordingly the Board shall decide the Appointments, Re-appointments and Removal of the non-performing Directors of the Company.

5) SEPARATE MEETING FOR EVALUATION OF PERFORMANCE OF BOARD MEMBERS

Evaluation of the executive Directors of the Company shall be carried out by entire Board except the executive Director being evaluated. The meeting for the purpose of evaluation of performance of Board Members shall be held at least once in a year and the Company shall disclose the criteria laid down by the Committee for performance evaluation on its web site for the reference and also in the annual report of the Company.

6) PROCEDURE TO RATE THE PERFORMANCE

Based on evaluation criteria, the Committee and the Board shall rate the performance of the each and every Director. Based on the above rating, the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or Retirement of the member based on his/her performance rating as to create and maintain the most effective and powerful top level management of the Company for its future growth, expansion, diversification and also to maximize the returns on investments to the stakeholders of the company.