

## **SARA TEXTILES LIMITED**

### **NOMINATION AND REMUNERATION POLICY**

This Policy shall act as a guideline for determining, inter alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel, Senior Management and other employees.

#### **1. OBJECTIVE**

The key objectives of the Committee would be:

- 1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial personnel and Senior Management.
- 1.2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 1.3. To recommend to the Board on Remuneration payable to the Directors, Key Managerial personnel and Senior Management.
- 1.4. To formulate the criteria for evaluation of performance of all the Directors on the Board
- 1.5. To devise a policy on Board diversity
- 1.6. To lay out remuneration principles for employees linked to their efforts, performance and achievement relating to the Company's goal.

#### **2. DEFINITIONS**

- 2.1. “Act” means the Companies Act, 2013 and rules framed thereunder, as amended from time to time
- 2.2. “Board” means the Board of Directors of the Company
- 2.3. “Committee” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- 2.4. “Company” means Sara Textiles Limited.
- 2.5. “Directors” means Directors of the Company.
- 2.6. “Independent Director” means a Director as defined under Section 149 (6) of the Companies Act, 2013
- 2.7. “Key Managerial Personnel (KMP)” means
  - i. Chief Executive Officer or the Managing Director or the Manager
  - ii. Company Secretary
  - iii. Whole Time Director
  - iv. Chief Financial Officer
  - v. Such other officer, not more than one level below the directors who is in whole time employment, designated as key managerial personnel by the board, and
  - vi. Such other Officer as may be prescribed.
- 2.8. “Senior Management” means personnel of the company who are members of its core

management team excluding Board of Directors. This would include all members of management one level below the executive directors, including all functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

Sara Textiles Limited has the following assuming key positions in the company:

**A. Board of Directors**

**B. Senior management** team consisting of:

- I. Head - Marketing
- II. Head – Operations

**C. Key Managerial Personnel:**

- I. Managing Director
- II. Whole Time Director
- III. Chief Executive Officer
- IV. Chief Financial Officer
- V. Company Secretary

### **3. GUIDING PRINCIPLES**

The policy ensures that:

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully.
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and;
- 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.

### **4. ROLE OF THE COMMITTEE**

The Committee shall:

- Formulate criteria for determining qualifications, positive attributes and independence of a Director.
- 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.
- Recommend to the Board, appointment and removal of Director, KMP, Senior Management Personnel.
- Formulate criteria for evaluation of Independent Directors and the Board.
- To carry out evaluation of every directors performance.
- Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- To perform such other functions as may be necessary or appropriate for the performance of his duties.

### **5. MEMBERSHIP**

- The committee shall consist of a minimum 3 non-executive directors and at least half shall be independent.
- Minimum 2 Directors shall constitute a quorum for the Committee meeting.
- Membership of the committee shall be disclosed in the Annual Report.
- Term of the Committee shall be continued unless terminated by the Board of directors.
- Board shall reconstitute the committee as and when required to comply with the provisions of Companies Act, 2013 and applicable statutory requirements.

### **6. PRESENT MEMBERS OF THE COMMITTEE**

<b>Name of Member</b>	<b>Designation</b>
Mr. Om Prakash Yadav	Chairman
Mr. Rahul Jain	Member
Mr. Devinder Pal Singh	Member

- **Mr. Rahul Jain is appointed as Member of the Nomination and Remuneration of the Committee as on 17.01.2017.**

## **7. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT**

### **7.1. Appointment Criteria and Qualifications**

- 7.1.1.** The Committee shall identify and ascertain the integrity, qualifications, expertise and experience of the person for appointment as Director, KMP or at Senior Management Level and recommend to the Board his/ her appointment.
- 7.1.2.** A person should possess adequate qualification, expertise and experience for the position he/she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- 7.1.3.** The Company shall not appoint or continue the employment of any person as 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 based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

### **7.2. Term/Tenure**

#### **7.2.1. Managing Director/Whole Time Director**

- 7.2.1.1.** The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

#### **7.2.2. Independent Director:**

- 7.2.2.1.** 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.
- 7.2.2.2.** No Independent Director shall hold office for more than two consecutive terms, but such independent Director shall be eligible for appointment after the expiry of three years of ceasing to become an independent Director. Provided that an independent Director shall not, during the aid 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 committee as per regulatory requirement; he/she shall be eligible for appointment for one more term of 5 years only.*
- 7.2.2.3.** 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.

### **7.3. Evaluation**

**7.3.1.** Carry out evaluation of every director's performance and support the Board and Independent Directors in evaluation of the performance of the Board, its committees and individual directors. Additionally the Committee may also oversee the performance review process of the KMP and executive team of the Company.

**7.3.2.** The Board works with the nomination and remuneration committee to lay down the evaluation criteria for the performance of executives/ non-executive/ independent directors through a peer evaluation, excluding the director being evaluated through a Board effectiveness survey. The questionnaire of the survey is a key part of the process of reviewing the functioning and effectiveness of the Board and identifying possible path of improvement.

### **7.4. Removal**

**7.4.1.** Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the 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

### **7.5. Retirement**

**7.5.1.** 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.

## **8. POLICY RELATING TO THE REMUNERATION FOR THE WHOLE TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL**

### **8.1. General**

**8.1.1.** The remuneration/ compensation/ commission etc. to the Whole Time Director, KMP and Senior Management Personnel 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.

**8.1.2.** The Remuneration and commission to be paid to the Whole Time Director shall be as per the statutory provisions of the Companies Act, 2013 and the rules made thereunder for the time being in force.

**8.1.3.** Increments to the existing remuneration/compensation structure may be recommended by the Board which should be within the slabs approved by the shareholders in the case of whole time Director/KMP/ Senior Management Personnel.

**8.1.4.** Where any insurance is taken by a company on behalf of its managing director, whole time Director, Chief Executive Officer, Chief Financial Officer or Company

Secretary and any other employees for indemnifying any of them against any liability, in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

## **8.2. REMUNERATION TO WHOLE TIME DIRECTOR/ EXECUTIVE / MANAGING DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL:**

### **8.2.1.1.1. Remuneration paid to Whole-time / Managing Director**

8.2.1.2. The remuneration paid to Executive Directors is recommended by the Nomination and Remuneration Committee and approved by the Board in the Board meeting, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.

8.2.1.3. The elements of the remuneration and limits are pursuant to the Section 178, 197 and Schedule V of the Companies Act, 2013.

8.2.1.4. The remuneration structure for the Whole-time / Managing Director would include the following components:

**8.2.1.4.1. Fixed Pay:** The whole time Director/KMP and Senior Management Personnel 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, employer's contribution to P.F., pension scheme, medical expenses, club fees etc. shall be decided as per the internal grading system of the Company. The same shall be subject to an annual increase as per recommendations of the Nomination and Remuneration committee and subsequent approval of the Board of Directors.

**8.2.1.4.2. Perquisites and Allowances:** A basket of Perquisites and Allowances would also form a part of the remuneration structure.

**8.2.1.4.3. 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 Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

**8.2.1.4.4. Provisions for Excess Remuneration:** If any Whole Time Director draws or receives, directly or indirectly 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.

## **8.2.2. REMUNERATION TO NON-EXECUTIVE/ INDEPENDENT DIRECTOR:**

### **8.2.2.1. Remuneration/Commission:**

**8.2.2.1.1.** The remuneration/ commission shall be in accordance with the statutory provisions of the Companies Act, 2013 and the rules made thereunder for the time being in force.

### **8.2.2.2. Sitting Fees:**

**8.2.2.2.1.** The Non-Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Subject to the provisions of the Companies Act, 2013 and Rules made there under such Director shall be paid sitting fees maximum prescribed Rs.1,00,000/- for each meeting of the Board or a committee thereof, attended by him, subject to the discretion of the Board of time to time limited to a maximum amount as prescribed under the Act.



### **8.2.2.3. Commission**

**8.2.2.3.1.** Commission may be paid within the mandatory 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.

### **8.2.2.4. Stock Option**

**8.2.2.4.1.** An independent Director shall not be entitled to any stock option of the company.

## **8.3. REMUNERATION PHILOSOPHY FOR KEY MANAGERIAL PERSONNEL, SENIOR MANAGEMENT & STAFF**

**8.3.1.** The compensation for the Key managerial personnel, senior management and staff at the Company would be guided by the external competitiveness and internal parity through annual benchmarking surveys.

**8.3.2.** Internally, performance ratings of all Employees would be spread across a normal distribution curve. The rating obtained by an employee will be used as an input to determine Variable and Merit Pay increases. Variable and Merit pay increases will be calculated using a combination of individual performance and organizational performance. Grade wise differentiation in the ratio of variable and fixed pay as well as in increment percentage must be made.

## **9. CHAIRPERSON**

9.1. Chairperson of the Committee shall be an Independent Director

9.2. Chairperson of the Company may be appointed as a Member of the Committee but shall not be the Chairman of the Committee.

9.3. In the absence of the Chairperson, the Members of the Committee present at the meeting shall choose one amongst them to be the Chairperson.

9.4. 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.

## **10. GRADE STRUCTURE**

10.1. Employees are assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in our organization. Individual remuneration is determined within the appropriate grade and is based on following:

**10.1.1.** An individual's experience, skill, competencies and knowledge relevant to the job; and

**10.1.2.** An individual's performance and potential contribution to the company.

## **11. FREQUENCY OF THE MEETING**

**11.1.** The Meeting of the Committee shall be held as and when required.

**12. COMMITTEE MEMBERS' INTERESTS**

12.1. 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.

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

**13. SECRETARY**

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

**14. VOTING**

14.1. Matters arising for determination at 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.

14.2. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

**15. NOMINATION DUTIES**

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

**15.1.1.** Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management;

**15.1.2.** Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;

**15.1.3.** Identifying and recommending Directors who are to be put forward for retirement by rotation.

**15.1.4.** Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;

**15.1.5.** Delegating any of its powers to one or more of its members or the Secretary of the Committee;

**15.1.6.** Recommend any necessary changes to the Board; and

**15.1.7.** Considering any other matters, as may be requested by the Board.

**16. REMUNERATION DUTIES**

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

**16.1.1.** 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.

**16.1.2.** to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.

**16.1.3.** to delegate any of its powers to one or more of its members or the Secretary of the Committee.

**16.1.4.** to consider any other matters as may be requested by the Board.

**16.1.5.** Professional indemnity and liability insurance for Directors and senior management.

## **17. MINUTES OF THE MEETING**

**17.1.** Proceedings of all the meetings must be minuted and signed by the Chairman of the said Committee or the Chairperson of the next succeeding meeting. Minutes of the Committee Meetings will be tabled at the subsequent Board and Committee Meeting.

## **18. AMENDMENT TO THE POLICY**

18.1. The Board of Directors on its own and / or as per the recommendations of Nomination and Remuneration Committee can amend this policy, as and when deemed fit.

18.2. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.