



SARLA PERFORMANCE FIBERS LIMITED

NOMINATION AND REMUNERATION (NRC) POLICY

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-NOMINATION AND REMUNERATION POLICY-

The Board of Directors of Sarla Performance Fibers Limited (“the Company”) constituted the Nomination and Remuneration Committee (“NRC”) at its Meeting dated September 30, 2014 with immediate effect.

Further, the Nomination & Remuneration Policy (“Policy”) of Sarla Performance Fibers Limited (“Sarla” or “the Company”) is formulated under the Companies Act, 2013 (“Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (“Listing Regulations”) and other applicable laws (hereinafter referred to as “Relevant laws”).

1. Objectives and Purpose

1.1 The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2018 (“SEBI LODR”).

The key objectives and purpose of the Policy are:

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- To recommend to Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 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.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

- To devise a policy on Board diversity
- To develop a succession plan for the Board and to regularly review the plan.
- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the board of directors their appointment and removal.
- To determine whether to appoint or extend or continue the term of appointment of the independent director, basis report on performance evaluation of independent directors.

1.2 This Policy shall provide guidelines and restrictions with regards to the appointment and remuneration of Directors, Key Managerial Personnel and other senior employees for fulfillment of their employment obligations within the Company.

2. Definitions

'Act' means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

'Board' means Board of Directors of the Company.

'Directors' mean Directors of the Company inclusive of Whole Time Directors, Executive, Non-Executive or Independent Directors.

'Key Managerial Personnel' means following people, which includes people identified by the Company under provisions of the Act.

1. the Managing Director or Chief Executive Officer or the Manager;
2. Whole-time Director;
3. Chief Financial Officer;
4. Company Secretary; and
5. Any other person as defined under the Act from time to time

'Senior Management' means Senior Management means personnel of the company who are members of its core management team excluding Board of Directors and shall comprise of 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 the functional heads, by whatever name. called and the Company Secretary and the Chief Financial Officer.

3. Role of Committee

The role of the Committee inter alia will be the following:

- To formulate a criteria for determining qualifications, positive attributes and
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independence of a Director.

- To recommend to the Board the appointment and removal of Senior Management
- To carry out evaluation of Director's/KMP/Senior Management performance.
- To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
- To make 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;
- Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks for Directors, KMP and Senior Management,
- To devise a policy on Board diversity;
- To develop a succession plan for the Board and to regularly review the plan;
- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- To determine whether to appoint or extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- Formulation of criteria for evaluation of Independent Director and the Board of Directors;
- To evaluate the performance of the Members of the Board;
- To formulate, implement and administer Employee Stock Option Scheme(s) of the Company and grant stock options to the employees.

4. Membership

- The Committee consist of a minimum 3 non-executive directors and at least half being independent directors
 - Minimum two (2) members or one third of the members where at least one person shall be an independent director, 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.
 - The Board shall reconstitute the Committee as and when required to comply with the
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provisions of the Act and Listing Regulations and such other applicable statutory requirement.

5. Chairman

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

6. Frequency of Meetings

The meeting of the Committee shall be held at such regular intervals as may be required. However, the prescribed frequency is at least once in a year.

7. Committee Members' Interests

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.

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

8. Secretary

The Company Secretary of the Company if any, shall act as Secretary of the Committee.

9. Voting

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.

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

10. Nomination Duties

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

- Ensuring that there is an appropriate induction & training program in place for new

- Directors and members of Senior Management and reviewing its effectiveness;
- Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013;
 - 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.
 - Considering any other matters as may be requested by the Board; and

11. Remuneration Duties

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

- to consider and determine the Remuneration Policy, based on the performance and 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 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.
 - 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;
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- Professional indemnity and liability insurance for Directors and senior management.

12. 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 Committee meetings will be tabled at the subsequent Board and Committee meeting.

13. Policy For Appointment And Removal of Director, KMP and Senior Management

(A) Appointment criteria and qualifications

- 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.
- 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.
- The Committee shall, after reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, recommend changes to the Board of Directors from time to time to complement the Company's corporate strategy and Board diversity.

(B) Term/ Tenure of Appointment

a) Managing Director/ Whole Time Director

The Company shall appoint or re-appoint any person as its Chairman & Managing Director, Joint Managing Director or Executive Director or Whole Time 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.

b) Independent Director

-An Independent Director shall hold office for such term which should not exceed a maximum of five consecutive years on the Board of the Company, as may be recommended by the Committee and approved by the Board and shareholders 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.

- 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 prescribed period by the Statutory Authority from time to time.

(C) Evaluation

The Committee shall carry out evaluation of performance of every Director at least once in a year regular interval (yearly).

(D) Removal

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.

(E) 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.

14. Policy relating to the remuneration for the Whole-Time Director, KMP and Senior Management Personnel

(A) General:

- The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the provisions of the Act.
- Term / Tenure of the Directors shall be as per the provisions of the Act.

(B) Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

- **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. 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 and approved by the Board/the Person authorized by the Board and approved by the shareholders and Central Government, wherever required.
- **Variable pay:**
The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for variable pay based on the achievement of the target set for the individual as well as the Company.
- **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.
- **Provisions for excess remuneration:**
If any Whole-time 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.

(C) Remuneration to Non- Executive / Independent Director:

- **Remuneration / Commission:**
The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Act.
 - **Sitting Fees:**
The Non- Executive / Independent Director will receive remuneration by way of fees for attending meetings of Board or Committee thereof.

Provided that the amount of such fees shall be decided by the Board and subject to the limit as provided in the Act.
 - **Commission:**
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.
 - **Stock Options:**
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Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company.

15. Amendments

~~This Policy may be amended by the board at any time and is subject to (i) amendments to the Companies Act, 2013 (the Act 2013) and (ii) further guidelines and enactments by the SEBI, including Listing Agreement.~~

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.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant Statutory 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.
