

S H KELKAR AND COMPANY LIMITED
NOMINATION & REMUNERATION POLICY

INTRODUCTION

The Company considers human resources as its invaluable assets. This policy on nomination and remuneration of Directors, Key Managerial Personnel (KMPs), Senior Management and other employees has been formulated in terms of the provisions of the Companies Act, 2013 and the listing agreement in order to pay equitable remuneration to the Directors, KMPs, Senior Management Personnel and employees of the Company (including its subsidiaries) and to harmonise the aspirations of human resources consistent with the goals of the Company.

OBJECTIVES

The Key Objectives 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
- To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

DEFINITIONS

- a) 'Board' means Board of Directors of the Company.
- b) 'Director' means a director appointed to the Board of the Company or its subsidiaries.
- c) 'Committee' means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act and applicable listing agreements and/or regulations.
- d) 'Company' means S H Kelkar and Company Limited and its subsidiaries.
- e) 'Independent Director' means a director referred to in sub-section (6) of Section 149 of the Companies Act, 2013 and Clause 49(II)(B) of the Equity Listing Agreement.
- f) 'Key Managerial Personnel (KMP)' means.
 - the Managing Director or the Chief Executive Officer or the manager and in their absence, a Whole-time Director;
 - the Chief Financial Officer; and
 - the Company Secretary
- g) 'Policy or this Policy' means 'Nomination and Remuneration Policy.'
- h) '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.
- i) 'Senior Management' 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.

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

CONSTITUTION

The Board has constituted the "Nomination and Remuneration Committee" of the Board on June 24, 2014 which was reconstituted on March 12, 2015. This is in line with the requirements under the Companies Act, 2013 ("Act"). The Board has authority to reconstitute this Committee from time to time.

TERMS OF REFERENCE

- Identifying persons who are qualified to become directors and who may be appointed in senior management positions in accordance with the criteria laid down and recommend to the board their appointment and removal;
- Carry out evaluation of every director's performance;
- Devising a policy on the board's diversity;
- Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy, relating to the remuneration for the directors, key managerial personnel and other employees. While formulating the said policy, ensure that:

- (a) 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;
 - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) 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.
- To recommend to the Board remuneration payable to senior management.”

GUIDING PRINCIPLES

The Policy ensures that:

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, Key Managerial Personnel and Senior Management of the quality required to run the Company successfully;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- 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; and
- Remuneration may be subject to revision from time to time in line with company performance.

DEVIATIONS

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 and will be tabled for ratification at the Board Meeting.

REVISION

This policy is framed based on the provisions of the Companies Act, 2013 and rules there under and the requirements of the clause 49 of the Equity Listing Agreement with the Stock Exchanges. In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law. This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.

IMPLEMENTATION

The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate. The Committee may delegate any of its powers to one or more of its members.

POLICY ON APPOINTMENT AND REMOVAL OF DIRECTORS, KMP, SENIOR MANAGEMENT AND OTHER EMPLOYEES

APPOINTMENT CRITERIA AND QUALIFICATIONS

– Directors

a) Factors to be considered

In evaluating the suitability of individual Board members, the Committee may take into account factors such as general understanding of the Company's business dynamics, global business and social perspective; educational and professional background, Standing in the profession; Personal and professional ethics, integrity and values; willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively; deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth, complementary skills in relation to the other Board members. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position. The proposed appointee shall also fulfill requirements as may be prescribed, from time to time, under the Companies Act, 2013, Equity Listing Agreements and other relevant laws in relation to his appointment as a Director.

b) Age limit

The Company shall not appoint or continue the employment of any person as Managing Director / Executive Director who has attained the age of seventy years and shall not appoint Independent Director who has attained the age of seventy years. Provided that a) the term of the person holding this position may be extended beyond the age of seventy years or b) a person who has attained the age of seventy years may be appointed as Managing Director / Executive Director at the discretion of the Committee 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 as the case may be.

c) Criteria for independence

The Committee shall assess the independence of Directors at the time of appointment / re-appointment and the Board shall assess the same annually. The Board shall re-assess determinations of independence when any new interests or relationships are disclosed by a Director. The Independent Directors shall abide by the "Code for Independent Directors" as specified in Schedule IV to the Companies Act, 2013. The director shall satisfy the criteria of independence, as laid down in Companies Act, 2013 and Clause 49 of the Equity Listing Agreement.

d) Board Diversity

The Committee shall assist the Board in ensuring Board nomination process with the diversity of gender, thought, experience, knowledge and perspective in the Board, in accordance with the Board Diversity policy.

– KMP and Senior Management

a) Factors to be considered

A person to be appointed as KMP or at senior management level 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 is sufficient / satisfactory for the concerned position.

– Other Employees

Nomination and appointment of other employees shall be as per Company's philosophy, HR policy and regulations of various authorities in this regard.

TERM / TENURE

– Managing Director / Whole-time Director

The Company shall appoint or re-appoint any person as its Managing Director and CEO 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.

– 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.

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 (Executive) Director of a listed company.

REMOVAL

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director or KMP or Senior Management personnel or other employees subject to the provisions and compliance of the said Act, rules and regulations.

RETIREMENT

The Whole-time Directors, KMP, Senior Management personnel and other employees shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Whole-time Directors, KMP, Senior Management personnel or other employees in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

BOARD EVALUATION

The Committee shall formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company, Committees of the Board and the Board. The performance evaluation of the Independent Directors shall be carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors shall be carried out by the Independent Directors at a separate meeting held for this purpose. The performance evaluation shall be carried out on yearly basis or at such intervals as may be considered necessary.

POLICY ON REMUNERATION FOR DIRECTORS, KMPS, SENIOR MANAGEMENT AND OTHER EMPLOYEES

GENERAL

The Company recognizes the importance of aligning the business objectives with specific and measurable individual objectives and targets. The Company has therefore formulated the remuneration policy for its directors, key managerial personnel and Senior Management keeping in view the following objectives:

- Ensuring that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate, to run the company successfully;
- Ensuring that relationship of remuneration to performance is clear and meets the performance benchmarks; and
- Ensuring that remuneration 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.

REMUNERATION TO MANAGING DIRECTOR / WHOLE-TIME DIRECTORS

The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Directors, etc. shall be governed by the provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the Members of the Company, as may be required. The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.

REMUNERATION TO NON- EXECUTIVE / INDEPENDENT DIRECTORS

The Non-Executive / Independent Directors may receive sitting fees and/or such other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.

All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.

An Independent Director shall not be eligible to get Stock Options and also shall not be eligible to participate in any share based payment schemes of the Company.

REMUNERATION TO KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's HR Policy and shall be based on industry standards, linked to performance of the self and the Company and should be a balance of fixed pay and variable pay. Key Managerial Personnel and Senior Management Personnel shall be eligible to get Stock Options and also shall be eligible to participate in any share based payment schemes of the Company.

REMUNERATION TO OTHER EMPLOYEES

The remuneration to other employees shall be based on Company's overall philosophy and guidelines. Other employees (as may be agreed upon by the Company) shall be eligible to get Stock Options and also shall be eligible to participate in any share based payment schemes of the Company.

REWARD PHILOSOPHY

The reward philosophy of the Company is to provide market competitive total reward opportunity that has a strong linkage to and reinforces the performance culture of the Company. The intent is to ensure that the principles of reward philosophy are followed thereby facilitating the company to recruit and retain the best talent. The ultimate objective is to gain competitive advantage by creating a reward position that inspires employees to deliver Company's promise to consumer and the world and achieve superior operational results.

The guiding principles for the Company's reward practices shall be as follows:

- Open, Fair, Consistent and Explainable: Increase transparency and ensure fairness and consistency in reward framework.
- Innovation: Continuously improve Company's reward through innovation based on insight, analytics and expertise.
- Simplicity, Speed and Accuracy: Simplify rewards plan and processes and deliver the information employees need quickly, clearly and efficiently.
- Business Results: Company's business results are the ultimate test of whether reward solutions are effective and sustainable.