



## NOMINATION & REMUNERATION POLICY

### **I. INTRODUCTION**

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In terms of Section 178 of the Companies Act, 2013 and the Listing Agreement, entered into by the Company with Stock Exchanges, as amended from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management and other employees of the Company has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors. 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:**

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The policy is framed with the objective(s):

- i. 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;
- ii. That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- iii. That the remuneration to Directors, Key Managerial Personnel (KMP), and other employees of the Company 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;
- iv. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-executive) and persons who may be appointed in Senior Management, Key Managerial positions and to determine their remuneration;



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- v. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry;
- vi. To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company's operations;
- vii. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage; and
- viii. To lay down criteria for appointment, removal of directors, Key Managerial Personnel and Senior Management Personnel and evaluation of their performance.

### **2. Definitions:**

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In this Policy unless the context otherwise requires:

- i. 'Act' means Companies Act, 2013 and rules thereunder
- ii. 'Board of Directors' or 'Board', in relation to the Company, means the collective body of the directors of the Company
- iii. 'Committee' means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board
- iv. 'Company' means Shilp Gravures Limited
- v. 'Directors' means Directors of the Company
- vi. 'Independent Director' means a director referred to in Section 149 (6) of the Companies Act, 2013
- vii. 'Key Managerial Personnel' (KMP) means:
  - a. Chief Executive Officer and / or Managing Director



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- b. Whole-time Director
  - c. Chief Financial Officer
  - d. Company Secretary
  - e. Such other officer as may be prescribed
- viii. 'Ministry' means the Ministry of Corporate Affairs
- ix. 'Regulations' refers to and comprise of Companies Act, 2013, The Companies (Meeting of Board and its Powers) Rules, 2014, The Companies (Appointment and Qualification of Directors) Rules, 2014, The Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014, Listing Agreement and such other rules and provisions as applicable to the matters dealt in by this Policy
- x. 'Senior Management Personnel' for this purpose shall mean employees of the company who are members of its core management team excluding Board of Directors. It would comprise all members of management one level below the executive director(s), including the functional / vertical 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.

### **3. Applicability:**

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This Policy is applicable to:

- a. Directors viz. Executive, Non-executive and Independent
- b. Key Managerial Personnel
- c. Senior Management Personnel
- d. Other Employees of the Company



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### **II. NOMINATION & REMUNERATION COMMITTEE**

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#### **1. Constitution of Nomination and Remuneration Committee:**

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The Nomination and Remuneration Committee will consist of three or more non-executive directors, out of which at least one-half shall be independent director(s), provided that chairperson of the Company may be appointed as a member of this Committee but shall not chair such Committee.

The Committee will meet at such intervals as deems fit to carry out the objectives set out in the Policy. A quorum of two members is required to be present for the proceedings to take place. The Committee members may attend the meeting physically or via permitted audio-visual mode, subject to the provisions of the applicable Regulations. The Committee shall have the authority to call such employee(s), senior official(s) and / or externals, as it deems fit. The Company Secretary shall act as Secretary to the Committee.

#### **2. Committee Members:**

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The Nomination and Remuneration Committee comprises of the following Directors:

Name of the Members	Category	Designation
Mr. Shailesh Desai	Non-executive Independent Director	Chairman
Mr. Chinubhai Shah	Non-executive Independent Director	Member
Dr. Navin Patel	Non-executive Independent Director	Member

The aforesaid composition of the Committee may be altered, to comply with the provisions of the applicable laws and / or rules as and when amended and also to adapt the needs of the Company and the changes on the Board, if any.



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### **3. Functions of the Nomination and Remuneration Committee:**

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The Nomination and Remuneration Committee shall, inter-alia, perform the following functions:

- i. 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;
- ii. 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;
- iii. Ensure that the Board comprises of a balanced combination of Executive Directors and Non-executive Directors and also the Independent Directors;
- iv. Devise framework to ensure that Directors are inducted through suitable familiarization process covering their roles, responsibility and liability;
- v. Oversee the formulation and implementation of ESOP Schemes, its administration, supervision, and formulating detailed terms and conditions in accordance with SEBI Guidelines;
- vi. Decide / approve details of fixed components and performance linked incentives along with the performance criteria;
- vii. Devise a policy on Board diversity;
- viii. Formulate the criteria for evaluation of Independent Directors and the Board;
- ix. The Nomination and Remuneration Committee shall, formulate the Remuneration Policy of the Company;
- x. The Nomination and Remuneration Committee shall assist the Board in ensuring that plans are in place for orderly succession for appointments to the Board and to senior management



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The Chairman of the nomination and remuneration committee could be present at the Annual General Meeting, to answer the shareholders' queries. However, it would be up to the Chairman to decide who should answer the queries.

Provided that Nomination and Remuneration Committee shall set up mechanism to carry out its functions and is further authorized to delegate any / all of its powers to any of the Directors and / or officers of the Company, as deemed necessary for proper and expeditious execution.



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### **III. APPOINTMENT OF DIRECTOR, KMP AND SENIOR MANAGEMENT**

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- i. 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.
- ii. 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 is sufficient / satisfactory for the concerned position.
- iii. Appointment of Independent Directors is subject compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV and rules thereunder.
- iv. 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.

### **IV. TERM / TENURE**

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#### **1. Managing Director / Whole-time Director:**

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The Company shall appoint or re-appoint any person as its Executive Director, 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.

#### **2. Independent Director:**

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Subject to the provisions of the applicable Regulations, an Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be



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eligible for re-appointment on passing of a special resolution by the Company and disclosure(s) of such appointment in the Board's report.

Provided that a person who has already served as an independent director for five years or more in a company as on October 1, 2014 shall be eligible for appointment, on completion of his present term, for one more term of up to five years only.

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 1st October, 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.

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.

### **V. TRAINING OF INDEPENDENT DIRECTORS**

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The company shall provide suitable training to independent directors to familiarize them with the company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc.

The details of such training imparted shall be disclosed in the Annual Report



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### **VI. EVALUATION**

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

### **VII. DISQUALIFICATION FOR APPOINTMENT OF DIRECTORS**

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1. Pursuant to section 164 of the Companies Act, 2013, a person shall not be eligible for appointment as a director of a company if:
  - a. He is of unsound mind and stands so declared by a competent court;
  - b. He is an undischarged insolvent;
  - c. He has applied to be adjudicated as an insolvent and his application is pending;
  - d. He has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

An order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;

He has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;

He has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or

He has not complied with sub-section (3) of section 152.

2. No person who is or has been a director of a company which:



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- a. Has not filed financial statements or annual returns for any continuous period of three financial years; or
- b. Has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so

### **VIII. REMOVAL**

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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 of the Companies Act, 2013, and all other applicable Acts, Rules and Regulations, if any...

### **IX. RETIREMENT**

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The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Regulations 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.



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### **X. MATTERS RELATING TO THE REMUNERATION, PERQUISITES FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL**

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- i. The remuneration / compensation / profit-linked commission etc. to the Whole-time Director, Directors and Independent Directors will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / profit-linked commission etc. shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company, Act and shall be subject to the prior / post approval of the shareholders of the Company and Central Government, wherever required.
- ii. As regards the remuneration of KMP, Senior Management Personnel and other employees, the determination shall be effected by way of annual presentation before the Committee by Principal – HR and / or by the Chief Financial Officer, which would have requisite details. The Committee shall peruse the same and approve accordingly.
- iii. Org-wide Increments to the existing remuneration / compensation structure shall be approved by the Committee. Increments to the Whole Time Director(s) should be within the slabs approved by the Shareholders. Increments will be effective from 1st April in respect of an Executive Director as well as in respect of other employees of the Company, unless otherwise decided.
- iv. Where any insurance is taken by the Company on behalf of its Managing Director, Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, 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.



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### **XI. REMUNERATION TO WHOLE-TIME / EXECUTIVE / MANAGAING DIRECTOR**

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#### **1. Remuneration:**

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The Managing and the Whole-time Director shall be eligible for remuneration as may be approved by the Shareholders of the Company on the recommendation of the Committee and the Board of Directors. The break-up of the pay scale, performance bonus 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 on the recommendation of the Committee and shall be within the overall remuneration approved by the shareholders and Central Government, wherever required.

#### **2. Minimum Remuneration:**

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If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing and Whole-time Director in accordance with the provisions of the Companies Act, 2013 and if it is not able to comply with such provisions, then with the previous approval of the Central Government.

#### **3. Provisions for excess remuneration:**

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If any Managing and Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 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.



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### **XII. REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTOR**

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#### **1. Sitting Fees:**

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The Non-executive Independent Directors of the Company shall be paid sitting fees as per the applicable Regulations and shall also be paid to Non-executive Non Independent Directors, provided he / she is not in receipt of any remuneration or commission from the Company on regular basis. The quantum of sitting fees will be determined as per the recommendation of Nomination and Remuneration Committee and approved by the Board of Directors of the Company. Further the boarding and lodging expenses shall be reimbursed to the Directors based out of Ahmedabad.

#### **2. Profit-linked Commission:**

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The profit-linked Commission shall be paid within the monetary limit as recommended by the Board and approved by the shareholders of the Company.

#### **3. 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. Only such employees of the Company and its subsidiaries as approved by the Nomination and Remuneration Committee will be granted ESOPs.



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### **XIII. REMUNERATION TO KMP, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES**

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The KMP, Senior Management Personnel and other employees of the Company shall be paid monthly remuneration as per the Company's HR policies and / or as may approved by the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be as per the Company's HR policies.

The Principal – HR and / or the Chief Financial Officer of the Company will make org-wide annual presentation(s) before the Committee which would have requisite details setting out the proposed performance bonus payouts for the current financial year as well as the proposed increments for the next financial year. The Committee shall peruse and approve the same unless required under relevant regulations, to refer the same to the Board of Directors and / or Shareholders of the Company.

This Remuneration Policy shall apply to all future / continuing employment / engagement(s) with the Company. In other respects, the Remuneration Policy shall be of guidance for the Board. Any departure from the policy shall be recorded and reasoned in the Committee and Board meeting minutes.

The remuneration for KMP and Senior Managerial Personnel and other employees of the Company shall be approved by the Committee based on the org-wide recommendation / presentation by the Principal – HR and / or the Chief Financial Officer of the Company. In case any of the relevant regulations require that remuneration of KMPs or any other officer is to be specifically approved by the Committee and / or the Board of Directors then such approval will be accordingly procured.



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### **XIV. DISSEMINATION**

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The details of the Policy and the evaluation criteria as applicable shall be published on Company's website and accordingly disclosed in the Annual Report as part of Board's report therein.

### **XV. AMENDMENTS TO THE POLICY**

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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 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.

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