

BALAJI SPECIALITY CHEMICALS LIMITED
NOMINATION AND REMUNERATION POLICY

BALAJI SPECIALITY CHEMICALS LIMITED

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PREAMBLE

The Nomination and Remuneration Policy of Balaji Speciality Chemicals Limited (the “**Company**”) is formulated by the Nomination and Remuneration Committee (the “**Committee**”) in line with terms of prevailing provisions of Section 178 of The Companies Act, 2013 read along with the applicable rules, each as amended and Regulation 19 read with Part D (A) of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) and its amendments thereof and is intended to set out criteria for the remuneration for Directors, Key Managerial Personal and senior managerial positions.

The Company believes that human resources as an asset are invaluable and play an integral part in the growth and success of the Company. The Company also acknowledges that a Board with diversified expertise and experience, adequate mix of Executive and Independent Directors, provides the desired vision, governance structure and mission to the Company in order to enable it to achieve its goals.

OBJECTIVE

The objective of this Policy is to serve as a guiding charter to appoint qualified persons as directors on the board of directors of the Company (“**Directors**”), Key Managerial Personnel (the “**KMP**”), persons who may be appointed in senior management positions (“**SMP**”), to recommend the remuneration to be paid to them and to evaluate their performance. This Policy provides a framework for:

- i. To guide the Board in relation to appointment and removal of Directors, KMP and Senior Management;
- ii. To formulate the criteria for determining qualifications, competencies, positive attributes, and independence for appointment of a director of the Company and recommend to the Board a policy relating to the remuneration;
- iii. Formulation of criteria of Independence in line with the Act and Listing Regulations for evaluation of Independent Director and the Board;
- iv. To recommend the board a policy, relating to the remuneration of the Directors, KMP and Senior Management to the Board of Directors of the Company (“**Board**”);
- v. To formulate the criteria for evaluation of Performance of Independent Directors and the Board;
- vi. To evaluate the performance of Board and provide necessary report to the Board for further evaluation of the Boards;
- vii. To devise a policy for Diversity of Board of Directors;
- viii. Recommendation on the formulation, implementation and timely updation of Employee Stock options Plan and Scheme;

DEFINITIONS

In this Policy unless the context otherwise requires,

“Act” means the Companies Act, 2013 and the Rules framed thereunder as amended from time to time or the Securities and Exchange Board of India Act, 1992 or any statutory modification or re-enactment thereof and includes any Rules and Regulations framed thereunder, as the case may be in respect to the reference made in the provisions under this Policy;

“Board of Directors” or “Board” means the collective body of the Directors of the Company;

“Company” means Balaji Speciality Chemicals Limited;

“Executive Directors/Whole time Directors” shall mean and include Company's Managing Director and Directors who are in whole time employment of the Company;

“Independent Directors” shall mean an Independent Director as per the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 (as revised from time to time).

“Key Managerial Personnel (KMP)” means key managerial personnel as defined in 2(51) of the Act as may be appointed or designated by the Board at the recommendation of the NRC;

“Nomination and Remuneration Committee (NRC)” of the Company means the committee as constituted or reconstituted by the Board, in accordance with the Section 178 of the Companies Act, 2013 (“the Act”) and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

“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/ (including chief executive officer/, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

“SEBI Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended;

CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE (“NRC” OR “COMMITTEE”)

The Board has re constituted the “Nomination and Remuneration Committee on June 1, 2022 after being Converted from Private Limited to Public Limited Company and after induction of two new independent Directors. The Constitution is in line with the requirements under the Companies Act, 2013 (“Act”) and the SEBI Listing Regulations. The Board has authority to reconstitute this Committee from time to time.

This Policy and the Nomination and Remuneration Committee Charter are integral to the functioning of the Nomination and Remuneration Committee and are to be read together. The Board has authority to reconstitute this Committee from time to time.

COMPOSITION OF THE COMMITTEE

The Committee shall comprise of at least three (3) Directors, all of whom shall be non-executive Directors and at least two thirds of the Directors shall be Independent. The Chairperson of the Company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee. The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act and Listing Regulations. Constitution of the Committee shall be disclosed in the Annual Report.

QUORUM OF THE MEETING

As per the requirement of the Act Minimum two (2) members or one third of the members of the Committee, whichever is greater, including at least one independent director in attendance shall constitute a quorum for the Committee meeting.

CHAIRPERSON OF THE COMMITTEE

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

The Chairperson of the Nomination and Remuneration Committee should be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

TERM OF THE COMMITTEE

The term of the Committee shall be perpetual unless otherwise terminated by the Board of Directors.

FREQUENCY OF THE MEETINGS

The meeting of the Committee shall be held at least once in a year.

MINUTES OF COMMITTEE MEETING

Minutes of all meetings shall be signed by the chairperson of the NRC or chairperson of the meeting, in terms of the provisions of the Act.

INTEREST OF THE COMMITTEE MEMBERS

A member of the Committee is not entitled to participate in the discussion or be present at the meeting as may be required by the members, when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

VOTING

The decisions at the Committee meetings shall be made 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.

GENERAL

This Policy is divided in three parts: -

Part – A : Covers the matters to be dealt with and recommended by the Committee to the Board;

Part – B : Covers the appointment and removal of Directors, KMP and Senior Management; and

Part – C : Covers remuneration for Directors, KMP and Senior Management.

Part – A

Matters to be dealt with, perused, and recommended to the Board by the Nomination and Remuneration Committee

The following matters shall be dealt with by the Committee:

a. **Size and Composition of the Board**

It would be an integral responsibility of the NRC to review the size and composition of the Board and ensure an appropriate balance of executive and independent Directors to maintain its independence as well as has the resources who possess relevant experience in house. The NRC is also to ensure that the Board is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company.

b. **Appointment of Directors**

The NRC is to formulate the criteria determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors having regard to qualifications, integrity, expertise, and experience for the position.

Recommend to the board, all remuneration, in whatever form, payable to senior management.

c. **Succession plans**

Establishing and reviewing Board, KMP and Senior Management succession plans in order to ensure that no undue challenges are faced by the Company due to sudden vacancy of the Member of the Board and/or senior Management.

d. Evaluation of performance

The Committee shall advise the process to carry out evaluation of performance of every Director, Evaluation process shall be conducted for the Board as a whole, Board Committees and also for the Directors individually.

Performance evaluation of the Independent Directors shall be carried out by the entire Board, except the Independent Directors being evaluated.

e. Familiarization of Independent and other Non- Executive Directors of the Company

Identify and execute education programs for the Board to ensure that the Independent Directors and other Non-Executive Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.

f. Board diversity

The Committee is to ensure that the Composition of the Board is not biased relating to gender, thought, experience, knowledge, and perspectives and that there is a uniform, balanced and unbiased pool of talent in the Board Room upholding the vision of the Company.

The Policy on Board Diversity is available on the website of the Company.

g. Remuneration framework

The Committee is responsible for formulating a framework for the remuneration of the Directors and shall review and make recommendations to the Board regarding:

- i. Remuneration of executive Directors.
- ii. Remuneration of non-executive Directors and the chairperson (if nonexecutive) and the Sitting Fees per meeting if any
- iii. Remuneration policies for KMP and Senior Management including base pay, incentive payments, equity awards, retirement rights, severance pay if any.
- iv. Ensure that the Remuneration framework is formulated in a way that it motivates the KMPs, and Senior Management to maintain a relationship for a long term with the Company.
- v. Ensure that a balance is maintained the fixed and performance linked variable pay.
- vi. Ensure that the remuneration, the incentive compensation, and equity-based plan are within the thresholds of the statutes.

PART – B

Policy for appointment and removal of Directors, KMP 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. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient for the concerned position.
- iii. For the purpose of identifying suitable candidates, the Committee may -
 - use the services of an external agencies, if required
 - consider candidates from a wide range of backgrounds, having due regard to diversity and
 - consider the time commitments of the candidates

While appointing the Director, KMP or Senior Management it would be a prerequisite for the NRC to adhere to the Companies Act, 2013 and the SEBI Listing Regulations as per certain criteria as mentioned in the statutes.

b. Term / Tenure

i. Managing Director / Whole-time Director

As per the provisions of the section 196 of the Companies Act, 2013 and the rules thereunder the Company shall appoint or re-appoint any person as its Managerial Person 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.

ii. Independent Director

In commensuration to the provisions of the Companies Act, 2013 and the Concerned Listing Regulations 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 shall be made in the Board's Report of the Company.

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. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient for the concerned position.

c. Retirement

In commensuration with the section 152(6) of the Companies Act, 2013 and the Articles of the company, two -third directors are liable to retire by rotation and 1/3rd are liable to retire at every general meeting after the meeting at which first directors are appointed.

Any fraction in two -third will be rounded off to the next number as rounding it off to the nearest number will sometime results in contravention of two -third value. Any fraction in one -third will be rounded off to nearest number (specified in the act itself)

The retiring directors can be re-appointed by shareholders by casting votes in favor in excess of votes casted against the resolution.

Further, Independent directors and Nominee directors are excluded from the calculation of two -third. A small shareholder director will always be a non-rotational direction. He will be counted in two -third but cannot be retired by rotation.

One -third directors who are liable to retire at AGM will be decided by FIFO method. The one who is longest in the office will be retired first. If two or more directors are appointed on same day, then it will be decided by draw of lot.

The KMP and Senior Management 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 KMP and Senior Management in the same position / remuneration or otherwise, if permitted under the provisions of the Act and the SEBI Listing Regulations, even after attaining the retirement age, for the benefit of the Company.

d. Removal

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder 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, KMP or Senior Management subject to the provisions and compliance of the said Act, rules, and regulations.

PART – C

Policy relating to the remuneration for Directors, KMP and Senior Management

a. Fixed Pay

i. Managerial Personnel, KMP and Senior Management shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee in accordance with the statutory provisions of the Companies Act, 2013 and the rules made thereunder for the time being in force, and the SEBI Listing Regulations as applicable from time to time. The Break-up of the pay scale and quantum of perquisites including employer's contribution to P.F, pension scheme, medical expenses etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the Shareholders, wherever required.

ii. When the company has inadequate profits/no profits:

In case the company has inadequate profits/no profits in any financial year, no amount shall be payable by way of remuneration except that within the limits as prescribed in the Schedule V of the Companies Act, 2013.

iii. Provision for excess remuneration

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managerial Person in accordance with the provisions of Schedule V of the Act. If any Managerial Person draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without such approval, wherever required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company.

b. Remuneration to Non-Executive/Independent Director

The remuneration/commission, to non-executive or independent Director if any, shall be in accordance with the statutory provisions of the Act and the rules made there under for the time being in force.

The Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof which is excluded from the above limit. Provided that the amount of such fees shall not exceed the prescribed limits per meeting of the Board or Committee, or such amount as may be decided by the Board of Directors from time to time.

POLICY REVIEW

This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and requirements of the SEBI Listing Regulations.

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 to the policy as recommended by the Committee would be placed before the Board of Directors for their approval.

DISCLOSURE

The Policy shall be placed on the Company's website if any, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report.

The Board will review this program and make revisions as may be required on a timely basis which shall be uploaded on the website such revisions in due course.
