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# Policy For Nomination, Remuneration, Evaluation and orderly succession

Companies Act, 2013 (“The Act”) and SEBI (Listing  
Obligations & Disclosure Requirements)  
Regulations, 2015 (Listing Regulations)

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## PART – I - NOMINATION AND REMUNERATION

### 1. INTRODUCTION

In terms of provisions of the Companies Act, 2013 (“The Act”) and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (Listing Regulations) as amended from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel (KMPs) and Senior Management Personnel and evaluation of the Board, its Committees and its Directors has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors.

### 2. DEFINITIONS

- i. **“Board”** means Board of Directors of the Company
- ii. **“Directors”** means Directors of the Company
- iii. **“Committee”** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- iv. **“Company”** means Sharda Motor Industries Limited
- v. **“Independent Director”** means a director referred to in Section 149 (6) of the Companies Act, 2013 read with provisions of the Listing Regulations.
- vi. **“Key Managerial Personnel (KMP)”** means in relation to a Company as defined in sub-section 51 of Section 2 of the Companies Act, 2013, means and includes:
  - the Chief Executive Officer or the Managing Director or Manager;
  - the Company Secretary;
  - the Whole-Time Director;
  - the Chief Financial Officer;
  - such other officer, not more than one level below the Directors who is in wholetime employment, designated as key-managerial personnel by the Board; and
  - such other officer as may be prescribed
- vii. **“Senior Management Personnel”** means employee of the Company who are members of its core management team excluding Board of Directors, comprising all members of management one level below the CEO/MD/WTD, including functional heads by whatever named called and the persons identified and designated as key managerial personnel, other than the board of directors.

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

### **3. OBJECTIVE AND PURPOSE OF THE POLICY**

The objective and purpose of this policy are:

- To formulate the criteria for determining Qualifications, Positive attributes and Independence of Directors and Key Managerial Personnel.
- 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 and Key Managerial positions and to determine their remuneration.
- To develop a succession plan for the Board.
- To determine remuneration based on Company's size and financial position and trends and practices on remuneration prevailing in the industry.
- To provide Directors, Key Managerial Personnel and Senior Managers 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

### **4. APPLICABILITY**

The Policy is applicable to:

1. Directors (Executive and Non-Executive)
2. Key Managerial Personnel
3. Senior Management Personnel
4. Other employees as may be identified by NRC from time to time

### **6. 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 or KMPs and recommend to the Board his/ her appointment.
- candidates should possess adequate qualification, expertise and experience for the concerned position. The Committee has the discretion to decide whether qualifications, expertise and experience possessed by a person is suitable for the concerned position
- Appointment of Directors (including Managing Director) and KMP's shall be governed by the statutory requirements in addition to the recommendation of NRC Managing Director.

- The shortlisted candidate's details and the proposed compensation will be shared with the Nomination and Remuneration Committee for its review and suggestions and appointment of the final candidate's shall be recommended to the Board by the Committee, for their approval.

**b) Term/Tenure:**

- The tenure for Directors (including Independent Directors) shall be governed by the terms defined in the Act and Listing Regulations.
- The tenure for KMPs (excluding MD and whole-time Director), Senior Management Personnel and other employees will be governed by the prevailing policies of the Company.

**c) Removal**

- Due to reasons for any disqualification mentioned in the Act rules made thereunder or under any other applicable Act, rules or 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 or regulations.

**d) Retirement**

- Directors, KMPs and Senior Management Personnel shall retire as per the applicable provisions of the Act, Listing Regulations and the prevailing policy of the Company.
- The Board may retain any KMP, Senior Management Personnel or any other employee in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

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

The level and structure of the remuneration should be reasonable and sufficient to attract, retain and motivate the directors, KMPs, Senior Management Personnel and other employees for successfully running the Company. The remuneration to directors, KMPs and Senior Management should involve a balance between fixed and performance-based incentive to achieve the short term and long-term goals.

**a) Remuneration to Whole-time Director/Executive/ Managing Director:**

The Remuneration/ Compensation/ Commission/ performance incentive etc. to be paid to Whole-Time Director/ Managing Director/Executive etc. and any revision thereof, shall be governed as per provisions of the Act and rules made there under or any other applicable law(s) for the time being in force.

**b) Remuneration to Non-executive / Independent Director**

The Non-Executive and Independent Director may receive remuneration/compensation/commission/ performance incentive, as per applicable provisions the Act and Listing Regulations and rules made there under or any other applicable law(s) for the time being in force.

**c) Remuneration Parameters for Key managerial personnel (excluding MD, WTD), senior management & other employee**

The remuneration of the Key Managerial Personnel (“KMP”) and Senior Management personnel of the Company and any revision therein shall be governed by the company and applicable provisions of the Act and rules made there under or any other law(s) for the time being in force.

Apart from the Directors, KMPs and Senior Management Personnel, the remuneration for rest of the employees is determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and market conditions.

The annual increments to the remuneration paid to the employees shall be determined based on the appraisal carried out by the HODs of various departments. Decision on Annual Increments shall be made on the basis of this appraisal.

**PART – II - EVALUATION POLICY**

**1. OBJECTIVE AND PURPOSE**

To formulate the criteria for carrying out performance evaluation of the Board, its committees and individual directors and review and its implementation and compliance.

**a) Evaluation:**

- The performance evaluation of all Directors of the Company including Independent Directors shall be done by the Board, excluding the Director being evaluated based on the criteria determined by the Committee.
- The performance evaluation of Non-Independent Directors, Chairman/ Co-Chairman of the Company and the Board as whole shall be done by the Independent Directors in their separate meeting also.
- The Managing Director shall perform the evaluation of performance of KMPs and Senior Management Personnel at regular intervals, mostly on the yearly basis based on the Key Performance Indicators.

- The independent external agency may also be hired / outsourced by the Board of Directors of the Company for conducting the performance evaluation of all Directors of the Company as per criteria laid on above points read with provisions of the Act and Listing Regulations.

### **PART III**

#### **ACTION PLAN FOR ORDERLY SUCCESSION**

**Background :** -The Securities and Exchange Board of India has mandated the need for a succession policy pursuant to Regulation 17(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("Listing Regulations"), in order to ensure that interests of investors of a listed company does not suffer on account of sudden or unplanned gaps in management of the company. Therefore, the board of directors ("Board") of all listed companies are required to put in place a plan for orderly succession for the Board and senior management.

In view of the above, the Company has formulated the following Policy on Succession Planning for the Board and Senior Management of the Company ("Policy"). The Policy shall become effective from February 06, 2026.

**Objective: The objectives of the Policy are, inter alia, as under:**

- a) To ensure that the business of the Company is not affected on account of interruptions caused due to resignation, superannuation, or exit due to any other reason of any Board member or member of Senior Management.
- b) To identify the competency requirements of positions at Board and Senior Management level, assess potential candidates and develop required competency through planned development and learning initiatives.
- c) To ensure timely and high-quality replacements for vacancies caused at Board level and in Senior Management.
- d) To identify the key job incumbents in Senior Management positions and recommend whether the concerned individual be granted an extension in term/service or be replaced with an identified internal or external candidate or recruit other suitable candidate(s).
- e) To ensure the systematic and long-term development of individuals in the Senior Management level to replace as and when the need arises due to deaths, disabilities, retirements, separations and other occurrences.

## **Implementation Process**

### **1. Succession Plan for positions at Board level**

- 1.1. The NRC shall be responsible for ensuring timely replacement for positions of any director on the Board ("Director") and shall recommend to the Board, candidates to be appointed as Directors.
- 1.2 In the event of a vacancy in the position of Managing Director & Chief Executive Officer, the NRC shall submit recommendations to the Board after confirming that the candidate complies with the applicable Regulations and any requirements stipulated in the Articles of Association of the Company.
- 1.3 For other vacancies on the Board, the NRC shall identify and recommend candidates with the necessary qualifications, expertise and attributes.
- 1.4 The NRC shall undertake a process of due diligence to determine the suitability of the person for re-appointment/ continuation as a Director on the Board, based upon qualification, expertise, integrity and fit and proper criteria as per Companies Act, 2013 and Listing Regulations.
- 1.5 During succession planning, the NRC shall also take into account aspects such as Board composition being in accordance with the requirements of applicable law and other corporate policies of the Company including the Policy on Board Diversity

### **2. Succession Plan for positions at Senior Management level**

- 2.1 The head of Human Resource function (HR Head by whatever name called), shall, along with the Chief Executive Officer ("CEO"), periodically review and consider the list of Senior Management Personnel to determine the competency requirements, including the attributes, qualification and expertise required for each of the positions.
- 2.2 The HR Head and CEO shall formulate and adopt a succession plan for filling of such vacancies, if any in these positions, by identifying and shortlisting potential candidates from within/outside the Company, that match the stated attributes, qualification and expertise. Support from professional search firms may be sought for this exercise.
- 2.3 The potential candidates identified under the succession plan shall be categorized as follows:
  - Immediate: ready to take the role immediately or in very short term with minimum input if the opportunity arises;
  - Mid-term: can be groomed in medium term to take over the role with appropriate training/ mentoring; and

- Long-term: Company intends to invest in this talent with a larger vision of grooming them for higher responsibilities
- 2.4 Potential candidates may also be categorized as 'interim succession candidates', in order to officiate in the vacant position till such time a candidate is identified and appointed by the Board, on the recommendation of the NRC.
- 2.5 All appointments to any position in senior management will be subject to review by the NRC and its recommendation to the Board.

### **3. Confidentiality**

All persons responsible for or otherwise involved in the process of succession planning, shall ensure confidentiality of discussions and decisions around the same.

### **5. Review and Amendment(s)**

The Policy will be approved by the Board on recommendation of the NRC. Amendments in this Policy, if any (including on account of amendments or changes in applicable law or regulations, if any) will be approved by the Board on the recommendation of the NRC. In case any amendments or clarifications are issued by the relevant regulatory authorities which are not consistent with the provisions laid down under this Policy, then such amendments clarifications, etc. shall prevail and changes will be incorporated in the Policy in the immediate next meeting.