



## 1. INTRODUCTION

The Nomination and Remuneration Committee (NRC) of the Sona BLW Precision Forgings Limited and its subsidiaries (**Company/Sona Comtar**) has adopted a Charter of the NR Committee which sets out the composition, authority and terms of reference of the NR Committee. The Nomination & Remuneration Policy (“Policy”) of the Company is formulated in terms of Section 178 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015, as a good corporate governance.

The Policy is intended to set out criteria to pay equitable remuneration to the Directors, Key Managerial Personnel (**KMP**), Senior Management Personnel (as defined below) and other employees of the Company and to harmonise the aspirations of human resources with the goals of the Company.

## 2. OBJECTIVE OR PURPOSE

The Company recognises the importance of aligning the business objectives with specific and measureable individual objectives and targets. The Company has therefore formulated the remuneration policy for its Directors, KMP, Senior Management Personnel and other employees keeping in view the following objectives:

- 2.1 Ensuring that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the people.
- 2.2 Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- 2.3 Recommending to the Board the remuneration of the directors, key managerial personnel and other employees of the Company.
- 2.4 Ensuring that relationship of remuneration to performance is clear and meets the performance benchmarks.
- 2.5 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.

## 3. DEFINITIONS

In this Policy, the following terms shall have the following meanings:

- 3.1 “**Board**” means Board of Directors of the Company



3.2 “**Director**” means a director appointed to the Board of the Company.

3.3 “**Committee**” means Nomination and Remuneration Committee (NRC) of the Company as constituted by the Company’s Board in accordance with the provisions of Section 178 of the Companies Act, 2013, as amended, from time to time.

3.4 “**Key Managerial Personnel**” means

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the Company Secretary;
- (iii) the Whole-Time Director;
- (iv) the Chief Financial Officer;
- (v) such other officer, not more than one level below the directors, who is in the whole time employment, designated as KMP by the Board; and
- (vi) such other officer as may be prescribed under the Companies Act, 2013.

3.5 “**Senior Management Personnel (SMP)**” shall mean officers/personnel of the Company who are members of its executive management team and shall comprise of employees one level below the “Chief Executive Officer (CEO)/Managing Director/Whole-time Director.

#### **4. GENERAL CRITERIA FOR SELECTION/APPOINTMENT**

4.1 The Company is required to appoint a MD/Manager/CEO and in their absence a Whole-time Director. The Company is also required to appoint a Company Secretary, Chief Financial Officer. The Company may also appoint a CEO who may or may not be a Director;

4.2 The Committee shall consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director, KMP and accordingly recommend to the Board his / her appointment to the Board;

4.3 The Company shall ensure that the person appointed as Director/ Independent Director are not disqualified under the Companies Act, 2013, and rules made thereunder.

Adherence to the prescribed criteria of Independence, if applicable, Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Directors.

4.4 The Director/ Independent Director/ KMP shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, and rules made there under, or any other enactment for the time being in force.



4.5 Each Director/KMP/SMP is required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned in the Company.

**Additional Criteria for Appointment of Independent Directors:** The Committee shall consider qualifications and appointment for Independent Directors as per the provisions of the Companies Act, 2013.

4.6 The term/ tenure of the Directors shall be governed as per provisions of the Companies Act, 2013 and the Rules made there under, as amended, from time to time.

4.7 In case of Re-appointment of Director(s), the Board shall take into consideration, the performance evaluation of director, engagement of the director and contribution in the deliberations of the Board.

#### **5. REMUNERATION FOR INDEPENDENT DIRECTORS AND NON-INDEPENDENT NON EXECUTIVE DIRECTORS**

5.1 Independent Directors (**ID**) and Non-Independent Non-Executive Directors (**NED**) may be entitled to sitting fees for attending the meetings of the Board and the Committees of which they are members and commission within the limits, as prescribed.

5.2 Within the parameters prescribed by under the provisions of the Companies Act, 2013, and the rules made thereunder, the payment of sitting fees and commission will be recommended by the NRC and approved by the Board.

The NRC will recommend to the Board, the quantum of commission for the eligible Director (as decided at the time of his/her appointment) based on Net profit of the Company, calculated in terms of the provision of the Companies Act, 2013.

5.3 In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/Board committee meetings, general meetings, court convened meetings, meetings with shareholders/creditors/management, site visits, induction and training (organised by the Company for Directors) and in obtaining professional advice from independent advisors in the furtherance of his/her duties as a director.

#### **6. REMUNERATION FOR MANAGING DIRECTOR (MD)/WHOLE TIME DIRECTORS (WTD)/CEO**

6.1 At the time of appointment or re-appointment, the Managing Director, Whole time Director and CEO shall be paid such remuneration as may be mutually agreed between the Company and the MD/WTD/CEO.



- 6.2 The remuneration to be paid to the Managing Director/Executive Director/CEO shall be in accordance with the provisions of the Companies Act, 2013, and the rules made thereunder.
- 6.3 The remuneration of the Managing Director/Executive Director/CEO is broadly divided into fixed and variable component. The fixed component shall comprise for salary, allowances, perquisites, amenities and retiral benefits. The variable component shall be determined as per the Variable Pay Policy as may be decided by the Committee.
- 6.4 The remuneration for the Managing Director/Executive Director/CEO shall be recommended by the NRC to the Board of Directors. The said remuneration will be subject to the approval of the shareholders.
- 6.5 The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Hence remuneration should be decided by the Committee on the basis of:
- 6.5.1 Market competitiveness and Industry benchmark;
  - 6.5.2 Individual role played in managing the Company including responding to the challenges faced by the Company;
  - 6.5.3 Based on the Company's performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the KRAs/KPIs;
- 6.6 Increments to the existing remuneration/ compensation structure may be recommended by the NRC to the Board which should be within the limits approved by the Shareholders in the case of Managing Director/ WTD/CEO.

## **7. REMUNERATION TO KMP AND OTHER EMPLOYEES**

- 7.1 The KMP's and other employees are assigned different grades according to their qualifications and work experience, competencies as well as their roles and responsibilities.
- 7.2 Individual remuneration shall be determined within the appropriate grade and shall be based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.
- 7.3 The remuneration of the KMP's and other employees are divided into fixed and variable component. The fixed component shall comprise for salary, allowances,



perquisites, amenities and retrial benefits, as applicable. The variable component shall be determined as per the Variable Pay Policy as may be decided by the Committee.

7.4 The remuneration including annual increment and performance incentive is decided based on the criticality of the roles and responsibilities, the Company's performance vis-a-vis-annual budget achievement, individual performance vis-à-vis KRIs/KPIs, industry benchmark and current composition trends in the market.

7.5 For the KMP and other employees, the management will carry out the individual performance review based on the standard appraisal matrix and after taking into account the appraisal score card and to the factors, as decided by the management, recommends the annual increment and performance incentive to the Committee for its review and approval.

7.6 NRC shall recommend to the Board, all remuneration, in whatever form, payable to senior management.

## **8. PREMIUM ON INSURANCE POLICY**

Where any insurance is taken by the Company on behalf of its Directors, KMP and Senior Management 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.

## **9. POLICY IMPLEMENTATION**

The NRC shall monitor and review the policy as and when deemed necessary and recommend the necessary changes to the Board for its approval.

## **10. AMENDMENT TO THE POLICY**

The Board may vary the above policy on need basis in accordance with the Companies Act, 2013 and rules made thereunder.

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Approved by the Board on 27<sup>th</sup> March, 2015.

Amended on 14<sup>th</sup> August 2020.