

PORWAL AUTO COMPONENTES LIMITED

NOMINATION AND REMUNERATION POLICY

1. INTRODUCTION:

This Nomination and Remuneration Policy is being formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") as amended from time to time. This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee (NRC or the Committee) and has been approved by the Board of Directors.

2. OBJECTIVES OF THE COMMITTEE: The Objective Of This Policy Is To Lay Down A Framework In Relation To Remuneration Of Directors, KMPs, Senior Management Personnel And Other Employees. The Key Objectives Of The Committee Would Be:

The Committee shall:

- i. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, key managerial personnel and other employees;
- ii. Formulate the criteria for evaluation of Independent Directors and the Board of directors
- iii. To specify manner for effective evaluation of performance of Board, its committees and individual directors which is to be carried out either by the Board or by the NRC and also to review its implementation and compliance;
- iv. Devise a policy on Board diversity;
- v. Identify persons who are qualified to become Directors and persons who may be appointed in Senior Management positions in accordance with the criteria laid down in this policy;
- vi. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- vii. Determine whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- viii. recommend to the board, all remuneration, in whatever form, payable to senior management
- ix. while formulating the policy the NRC shall 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.

3. DEFINITIONS:

- **“Board”**:- Board means Board of Directors of the Company.
- **“Committee”**:- Committee means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.
- **“Company”**:- Company means ‘Porwal Auto Components Limited’.
- **“Key Managerial Personnel”**:- Key Managerial Personnel (KMP) means-
 - (i) the Chief Executive Officer or the Managing Director or the Manager
 - (ii) the Whole-Time Director;
 - (iii) the Company Secretary;
 - (iv) the Chief Financial Officer; and
 - (v) Such other officer, not more than one level below the Directors who is in whole time employment, designated as KMP by the Board and such other officer as may be prescribed.
- **"Independent Director"** means a Director referred to in Section 149(6) of the Companies Act, 2013, rules made thereunder and as defined under Regulation 16 of the SEBI (LODR) Regulations, 2015.
- **“Senior Management”**:- The expression “senior management” means officer/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 [chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer including all 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 as may be amended from time to time shall have the meaning respectively assigned to them therein.

4. APPLICABILITY:-

The Policy is applicable to:

- Directors (Executive and Non Executive)
- Key Managerial Personnel
- Senior Management Personnel
- Other Employees

5. CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE:-

The Board has constituted the Committee as “Nomination and Remuneration Committee” consisting of three or more Non-Executive directors out of which at least two-thirds are

independent directors.. This is in line with the requirements under the Act. This Policy is integral to the functioning of the Nomination and Remuneration Committee. The Board has authority to reconstitute this Committee from time to time.

- The Chairman of the Committee shall be an Independent Director.
- In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- The Chairperson of the Committee or in his absence, any other member of the committee authorized by him in this behalf shall attend the General Meetings of the Company to answer the shareholders' queries.
- The Company Secretary shall act as the secretary for Committee meetings.
- Minutes: Minutes of the meetings shall be recorded and maintained and shall be presented to the Committee for approval at its subsequent meeting.
- Quorum: The quorum for the Committee meeting shall be one third of its total strength or two members, whichever is higher, including at least one Independent Director and the participation of the members by video conferencing or by other audio visual means shall also be counted for the purposes of quorum.
- The Committee shall meet at least once in a year. Further, the meetings of the Committee shall be held as and when required and as statutorily required under the provisions of Companies Act, 2013 and Rules made thereunder and as per the applicable law, if any, for the time being.

6. GENERAL APPOINTMENT CRITERIA:-

The Committee shall consider the following criteria and qualifications as follows:

- i. The Committee shall identify, ascertain and consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and accordingly recommend to the Board his / her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
- ii. The Company should ensure that the person so appointed as Director/ Independent Director/ KMP/ Senior Management Personnel shall not be disqualified under the Companies Act, 2013, rules made thereunder, Listing Regulations or any other enactment for the time being in force.
- iii. The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder, Listing Regulations or any other enactment for the time being in force.
- iv. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- v. A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
- vi. For the purpose of identifying suitable candidates, the Committee may;
 - a) use the services of an external agencies, if required

- b) consider candidates from a wide range of backgrounds, having due regard to diversity and
- c) consider the time commitments of the candidates

7. ADDITIONAL CRITERIA FOR APPOINTMENT OF INDEPENDENT DIRECTORS:

For every appointment of an independent director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended for such role shall meet the description.

The Nomination and Remuneration Committee shall satisfy itself with regard to the Independent nature of the Directors so as to enable the Board to discharge its function and duties effectively. Independent Director shall meet all criteria specified under the provisions of the Companies Act, 2013 and rules made there under and Listing Regulations. The Committee shall consider qualifications for Independent Directors as mentioned in herein earlier under the head 'Definitions'.

8. TERM/ TENURE:

The Term / Tenure of the Directors shall be governed as per provisions of the Listing Regulations, Companies Act, 2013 and rules made there under as amended from time to time.

a. Managing Director / Whole-time Director

The Company shall appoint or re-appoint any person as its Managing Director and CEO or Whole-time Director as per the stipulated timelines as mentioned in the Act and SEBI LODR. No re-appointment shall be made earlier than one year before the expiry of term.

b. 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 in the manner as specified under the Act and SEBI LODR.

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 applicable regulations in force.

9. POLICY ON BOARD DIVERSITY:

The Board of Directors shall have the optimum combination of Directors from the different areas / fields like production, Management, Quality Assurance, Finance, Sales and Marketing, Supply Chain, Research and Development, Human Resources etc. or as may be considered appropriate.

10. REMUNERATION POLICY FOR REMUNERATION TO DIRECTORS/KEY MANAGERIAL PERSONNEL/SENIOR MANAGEMENT PERSONNEL:-

A. Non-Executive Directors:

The Company doesn't pay any remuneration and/or Commission to the Non-Executive Directors.

The Company doesn't pay sitting fee for attending meeting of the Board of directors including committee meetings thereof.

The Company does not provide any ESOP, etc to its directors.

B. Executive Directors & Key Managerial Personnel:

- i. The objective of the policy is directed towards having a compensation philosophy and structure that will reward and retain talent. The Remuneration Policy of the Company for Director & Key managerial personnel is primarily based on the following criteria:
 - Overall Performance of the Company, its divisions and units.
 - Track record, potential and performance capacity and capability of individual.
- ii. The Nomination and Remuneration Committee will recommend the remuneration to be paid to the Managing Director, Whole-time Director, Key Managerial Personnel and Senior Management Personnel to the Board for their approval.
- iii. The remuneration shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.
- iv. The remuneration so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and Senior Management of the company and to provide quality required to run the company successfully.
- v. The relationship of remuneration and performance should be clear and meet appropriate performance benchmarks.
- vi. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- vii. The Company shall pay remuneration to its CS and CFO as per the terms of the appointment as approved by the Nomination and Remuneration Committee and they shall also entitled for the annual increments based on their performance, evaluated by the Nomination and Remuneration Committee and Board on annual basis.

11. CRITERIA FOR EVALUATION OF PERFORMANCE OF INDEPENDENT DIRECTORS AND THE BOARD OF DIRECTORS:-

A. For Executive Directors:

The criteria for evaluation of Executive Directors, inter alia, includes his ability to conduct meetings, ability to elicit inputs from all members, ability to table and openly discuss challenging matters, attendance at meetings, assistance to board in formulating policies and setting standards, accessibility, ability to analyze strategic situations, ability to protect positive image of the Company, compliance with regulatory requirements, monitor the performance of management and satisfy himself with integrity of the financial controls.

B. For Non-Executive Directors (including Independent Directors):

The criteria for evaluation of Non-Executive Directors, inter alia, includes attendance and contribution of Directors at Board and Committee meetings, study of agenda and active participation, discharge of other function and responsibilities prescribed under law, Monitoring the effectiveness of corporate governance practice, contribution to discussion on strategy, participate constructively and actively in committees of the Board, exercise of skills and diligence with due and reasonable care and to bring independent judgment to the Board, ability to bring in best practices from his/her experience, adherence to the code of conduct.

C. For Board as a whole:

The criteria for evaluation of the Board, inter alia, includes composition and diversity, induction programme, No. of meetings held, team work, performance culture, risk management and financial controls, integrity, credibility, trustworthiness, active and effective participation by members.

12. REMOVAL:-

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

13. AMENDMENT

This Policy may be amended by the board at any time and is subject to (i) amendments to the Companies Act, 2013 (the Act 2013) and (ii) further guidelines and enactments by the SEBI, including LODR Regulations.