

Introduction

The remuneration policy (“**Policy**”) for the non-executive Directors (including independent Directors) (“**Non-Executive Directors**”) on the board of directors (“**Board**”), and the key managerial personnel (i.e., the chief executive officer or managing Director or manager, the company secretary, whole-time Director, chief financial officer and the heads of the various business units and such other officer as may be prescribed under the Companies Act, 2013 (“**Act**”)) and other officers, who may be appointed as members of senior management (“**Executives**”) of AVTEC Limited (“**Company**”) as per enclosed annexure reflects the interests of the shareholders and the Company.

In addition, this Policy is aimed at attracting, motivating and retaining manpower in a competitive and international market, and helps promote good corporate governance and achieve long term goals for safeguarding the Company’s interests.

Guiding Principles

The objective of this Policy is to outline a framework to ensure that the Company’s remuneration levels are aligned with industry practices and are sufficient to attract and retain competent directors on the Board (“**Directors**”) and the Executives of the quality required, while allowing fair rewards for the achievement of key deliverables and enhanced performance.

- When determining the remuneration and arrangements for the Non-Executive Directors and the Executives, the Nomination and Remuneration Committee of the Board (“**Committee**”) should consider pay, market, business performance and practices in comparable companies, and have due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines, to ensure that pay structures are appropriately aligned and that levels of remuneration remain appropriate.
- The Committee while designing the remuneration package should ensure that:
 - (i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully;
 - (ii) there is a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.
- The Committee must ensure that a significant part of the remuneration package is linked to the achievement of corporate performance targets of the Company and a strong alignment of interest with stakeholders.
- The Committee may consult with the chairman of the Board as it deems appropriate.

- The Committee shall observe the set of principles and objectives as envisaged under section 178 of the Act and rules framed thereunder including, *inter-alia*, principles pertaining to determining qualifications, positives attributes, integrity and independence.

Remuneration

Efforts are made to ensure that remuneration of the Non-Executive Directors and the Executives matches the level in comparable companies, whilst also taking into consideration their required competencies, effort and the scope of the Board work and/or responsibility as the senior management.

A. Remuneration of Non-Executive Directors

The Non-Executive Directors (including independent Directors) on the Board receive a competitive remuneration package consisting of the following components:

- **Sitting Fees:** Non-Executive Directors receive fixed sitting fees, which is decided by the Board in accordance with the Act.

In addition to the sitting fees, the Non-Executive Directors, who are also members of one of the Board committees, receive sitting fees for participation in such Board committee meetings. The sitting fees for participation in such Board committee meetings are also approved by the Board in accordance with the Act.

- **Profit related commission:** The Non-Executive Directors are entitled to profit related commission not exceeding 1% (one per cent) of the net profits of the Company. Such profit related commission is approved by the ordinary resolution of the shareholders in a general meeting of the Company, and if required under the Act, the Company will also obtain approval of the Central Government.
- **Reimbursement of expenses:** Expenses in connection with Board and committee meetings are reimbursed as per account rendered.

B. Remuneration of the Executives

The Board believes that a combination of fixed and performance-based pay to the Executives helps ensure that the Company can attract and retain the Executives. At the same time, the Executives are given an incentive to create shareholder value through partly incentive-based pay.

The Executives are employed under management service contracts, employment agreement or appointment letter, and the Board sets the terms of such management service contracts, employment agreement or appointment letter. However, if the Executive is a whole-time Director (including the managing Director), he / she may be appointed pursuant to a resolution of the Board, which is confirmed by the shareholders in the succeeding annual general meeting of the Company, and on such terms and conditions as the Board may deem fit, and confirmation.