

### 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.

The Committee submits proposals concerning the remuneration of the Executives and ensures that the remuneration is in line with the conditions in comparable companies. The proposals are submitted for approval in a Board meeting, and where the proposal is in relation to an Executive, who is proposed to be appointed as a whole time Director (including the managing Director), such proposal is also submitted for approval of the shareholders (by ordinary resolution, or in case of inadequacy of profits, by special resolution) in a general meeting of the Company, and if required, the Company also obtains approval of the Central Government. The remuneration package of the Executives is reviewed annually by the Committee in the course of the performance appraisal system followed by the Company.

The Executives receive a competitive remuneration package consisting of the following components:

- **Fixed salary:** The fixed salary shall be competitive and reflective of the individual's role, responsibility and experience in relation to performance of day-to-day activities. The fixed salary shall include basic salary, special pay, and personal pay.
- **House rent allowance:** The Executives shall be entitled to receive house rent allowance, which shall not exceed 50% (fifty percent) of the basic salary of the Executive.
- **Variable components:** The Committee may, in its discretion, structure any portion of remuneration to link rewards to corporate and individual performance, fulfilment of specified improvement targets or the attainment of certain financial or other objectives set by the Board. The amount payable as a variable component is determined by the Committee, based on performance against pre-determined financial and non-financial metrics and shall always be within the limits of the overall guidelines for incentive pay.
  - Performance linked variable pay: The Executives participate in a performance linked variable pay scheme based on the results for the year, pursuant to which the Executives are entitled to performance-based variable remuneration.
- **Personal benefits:** The Executives have access to a number of work-related benefits, including car, telephones, broadband at home, Club Membership and work-related newspapers and magazines. The extent of individual benefits is negotiated with each individual Executive. (These benefits are symbolic and generally given to all or none at top level)

The Executives are covered by the Company's insurance policies:

- Accident insurance
- Health insurance
- Directors and officers liability insurance.

- **Other annual emoluments:** The Executives will receive the following annual emoluments:
  - medical reimbursement of up to 1 (one) month's basic salary, in accordance with the Company's policies;
  - leave travel assistance of up to 1 (one) month's basic salary; and
  - leave encashment, in accordance with the Company's policies.
- **Gratuity contributions:** Contributions are made in accordance with applicable laws, employment agreements and policies of the Company.
- **Severance pay:** There are, in the usual course, no severance fees (routine notice period not considered as severance fees) or other severance benefits.

**Responsibility of the Committee**

The Committee is responsible for:

- formulating criteria for determining qualifications, positive attributes and independence of a Director for the purpose of this Policy;
- advising the Board on issues concerning principles for remuneration, remunerations and other terms of employment for the Non-Executive Directors and the Executives;
- monitoring and evaluating programs for variable remuneration, both on-going and those that have ended during the year, for the Non-Executive Directors and the Executives;
- monitoring and evaluating the application of this Policy;
- monitoring and evaluating current remuneration structures and levels in the Company; and
- any other responsibility as determined by the Board.

The Committee is further responsible for the review and recommendation to the Board of share and share-price related incentive programs.

**Deviation from the Policy**

The Board may, in any individual or collective case, deviate from this Policy, if there are, in its absolute discretion, particular reasons to do so. In the event of any departure from the Policy, the Board shall record the reasons for such departure in the Board's minutes.

**Amendment to the Policy**

The Board reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever.

**Disclosure of Information**

This Policy must be disclosed in the Board's report and shall be published on Company's website.

## **Annexure to Remuneration Policy**

The Remuneration policy of AVTEC Limited (“Company”) is applicable on following persons :

1. Board of Directors
2. Key Managerial Personnel
  - a) Managing Director & Chief Executive Officer;
  - b) Chief Financial Officer;
  - c) Company Secretary; and
  - d) SBU Heads.
3. Senior Management Team (other than mentioned in point 2 above)
  - HR Head
  - R&D Head – Off highway, Automotive and Components
  - Business Development Heads
  - Strategic Sourcing Head