

# **AUTOMOTIVE AXLES LIMITED**

## **NOMINATION AND REMUNERATION POLICY**

**(Revised w.e.f. April 1, 2019)**

**AUTOMOTIVE AXLES LIMITED**

<b>Document Title</b>	<b>Nomination &amp; Remuneration Policy of Automotive Axles Limited</b>
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<b>Authority approving the Policy</b>	<b>Board of Directors</b>

## Automotive Axles Limited

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# Nomination and Remuneration Policy

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The Board of Directors of Automotive Axles Limited (“the Company”) constituted the “Nomination and Remuneration Committee” (“Committee”) at the Meeting held on April, 29 2014 with immediate effect.

## 1. OBJECTIVE

The Committee and this Nomination and Remuneration Policy (“Policy”) are in terms of provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Key Objectives of the Committee would be:

- 1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel (hereinafter referred to as “KMP”) and Senior Management.
- 1.2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 1.3. To recommend to the Board on Remuneration payable to the Directors, KMP and Senior Management.
- 1.4. To provide to KMP and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- 1.5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.6. To devise a policy on Board diversity.
- 1.7. To develop a succession plan for the Board and to regularly review the plan;

## 2. DEFINITIONS

- 2.1. **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

**2.2. Board** means Board of Directors of the Company.

**2.3. Directors** mean Directors of the Company.

**2.4. Key Managerial Personnel (KMP)** means

**2.4.1.** Whole-time Directors;

**2.4.2.** Chief Financial Officer; and

**2.4.3.** Company Secretary;

**2.5. Listing Agreement** means the Listing Agreement, as amended from time to time, executed with Stock Exchanges for Listing of Securities of the Company.

**2.6. Senior Management**

shall mean all members of management one level below the whole time director including company secretary and chief financial officer.

The terms used in this Policy but not defined shall have the meaning assigned to such terms in the Act and the Regulations.

### **3. ROLE OF COMMITTEE**

**3.1. Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee**

The Committee shall:

**3.1.1.** Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

**3.1.2.** Formulation of criteria for evaluation of performance of independent directors and the board of directors;

**3.1.3.** Devising a policy on diversity of board of directors;

**3.1.4.** Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.

**3.1.5.** 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.

**3.1.6.** Recommend to the board, all remuneration, in whatever form, payable to senior

management.

### **3.2. Policy for appointment and removal of Director, KMP and Senior Management**

#### **3.2.1. Appointment criteria and qualifications**

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- c) The Company shall not appoint or continue the employment of any person as Whole-time Director who is below the age of twenty-one years or has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
- d) The Committee shall decide on whether to extend or continue the term of appointment of Independent director, on the basis of the report of performance evaluation of Independent directors.

#### **3.2.2. Term / Tenure**

- a) Whole-time Director:  
The Company shall appoint or re-appoint any person as its Whole-time Director for a term not exceeding five years at a time or for such period as prescribed under the Act/Listing Agreements. 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 on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- c) Non Executive Director:  
The Company shall not appoint or continue the directorship of any person as a non-executive director who has attained the age of seventy five years unless a special resolution is passed by the shareholders to that effect.

### **3.2.3. Evaluation**

The Committee shall carry out yearly evaluation of performance of every Director, KMP and Senior Management Personnel as per the requirement of Act/Listing Agreement.

### **3.2.4. Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

### **3.2.4. Retirement**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

## **3.3. Policy relating to the Remuneration for the Whole-time / Executive Director, KMP and Senior Management Personnel**

### **3.3.1. General:**

- a) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- b) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
- c) Increments to the existing remuneration/compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.
- d) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Financial Officer, the Company Secretary and any other employees 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.

- e) In case any difficulty or doubt arises in the interpretation or implementation of this Policy, the decision of the Chairman of the Company shall be final. In exceptional circumstances, the Chairman shall be authorized to exercise functions vested in the committee in so far as these relate to Key Managerial Personnel covered under Clause 2.4 and the Senior Management covered under Clause 2.6; provided however that such actions taken by the Chairman shall be placed before the Committee for ratification in the succeeding meeting.

**3.3.2. Remuneration to Whole-time / Executive Director, KMP and Senior Management Personnel:**

**a) Fixed pay:**

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

**b) Minimum Remuneration:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

**c) Provisions for excess remuneration:**

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

**3.3.3. Remuneration to Non- Executive / Independent Director:**

**a) Remuneration / Commission:**

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

**b) Sitting Fees:**

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs.1,00,000/- (Rupees One Lac Only) per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

**c) Commission:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

**4. MEMBERSHIP**

**4.1** The Committee shall consist of a minimum 3 non-executive directors, at least 50% of them being independent.

**4.2** Either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance

**4.3** Membership of the Committee shall be disclosed in the Annual Report.

**4.4** Term of the Committee shall be continued unless terminated by the Board of Directors.

**5. CHAIRPERSON**

**5.1** Chairperson of the Committee shall be an Independent Director.

**5.2** Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.

**5.3** In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

**5.4** Chairman of the Nomination and Remuneration Committee meeting may be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

**6. FREQUENCY OF MEETINGS**

The meeting of the Committee shall be held at such regular intervals as may be required provided that it shall be held at least once in a year.



## **7. COMMITTEE MEMBERS' INTERESTS**

- 7.1** A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- 7.2** The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

## **8. SECRETARY**

The Company Secretary of the Company shall act as Secretary of the Committee.

## **9. VOTING**

- 9.1** Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- 9.2** In the case of equality of votes, the Chairman of the meeting will have a casting vote.

## **10. NOMINATION DUTIES**

The duties of the Committee in relation to nomination matters include:

- 10.1** Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- 10.2** Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- 10.3** Determining the appropriate size, diversity and composition of the Board;
- 10.4** Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- 10.5** Developing a succession plan for the Board and Senior Management.
- 10.6** Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- 10.7** Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the

provision of the law and their service contract.

**10.8** Delegating any of its powers to one or more of its members or the Secretary of the Committee;

**10.9** Recommend any necessary changes to the Board; and

**10.10** Considering any other matters, as may be requested by the Board.

## **11. REMUNERATION DUTIES**

The duties of the Committee in relation to remuneration matters include:

**11.1** to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.

**11.2** to approve the remuneration of the Directors, Key Managerial Personnel and Senior Management of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.

**11.3** to delegate any of its powers to one or more of its members or the Secretary of the Committee.

**11.4** to consider any other matters as may be requested by the Board.

**11.5** Professional indemnity and liability insurance for Directors and senior management.

## **12. MINUTES OF COMMITTEE MEETING**

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

**For Automotive Axles Limited**

**Date: 13.05.2019**

**Place: Pune**

**Sd/-**

**Dr. B.N.Kalyani**

**Chairman**