



## **NOMINATION AND REMUNERATION POLICY**

### **1. Preface**

The Remuneration Policy of Sundram Fasteners Limited (the Company) aims to ensure adequate remuneration in cognizance of the responsibility and dedication assumed by the directors and employees. Such remuneration will be aligned at the best possible market comparable both in India and other international markets where the company has operations. The Policy will also take into account the long-term interest of all of the shareholders and future business requirements.

### **2. Objectives**

The guiding principle is to offer remuneration that enables the company to attract, retain, and motivate its directors, employees in order to facilitate the Company to attain its strategic objectives. Thus, the remuneration policy, *inter-alia*, seeks the following:-

- 2.1 To ensure that the remuneration is in line with best comparable market practices, as well as competitive *vis-à-vis* that of comparable companies both in India and other international markets, which will have a motivating effect to act as a driving force to ensure long term availability of talent and also retention of the best talents. The Policy will have due regard to the situation of the specific regions in which the Company operates.
- 2.2 To establish the remuneration, in accordance with objective standards, based on individual performance and on the achievement of the business objectives of the Company.
- 2.3 To include an annual variable component tied to performance and to the achievement of specific, pre-established, quantifiable objectives in line with the goals and objectives of the Company.
- 2.4 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;
- 2.5 Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- 2.6 Remuneration to directors, key managerial personnel and *senior management* involves a balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;
- 2.7 Senior Management would mean the 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 executive directors, including the functional heads, as may be determined by the Board of Directors

### **3. Nomination & Remuneration Committee (NRC)**

As stipulated under Section 178 of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Company at its meeting held on 7<sup>th</sup> August, 2014 has constituted a nomination and remuneration committee comprising of the following members:-

- Sri Suresh Krishna
- Sri V Narayanan
- Sri R Srinivasan
- Sri C V Karthik Narayanan

Sri V Narayanan, is the *Chairman* of the Nomination and Remuneration Committee

### **4. Role and Functions of the Nomination and Remuneration Committee**

The following is the role and functions of the nomination and remuneration Committee:-

- 4.1 The NRC shall lay down the *criteria and identify persons who are qualified to become directors* and who may be *appointed in senior management*.
- 4.2 The NRC shall *recommend to the Board their appointment and removal* and shall carry out the *evaluation of every director's performance*.
- 4.3 The NRC shall *formulate the criteria for determining qualifications, positive attributes and independence of a director* and recommend to the Board a policy relating to:-
  - a) remuneration for the directors



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- b) remuneration for the key managerial personnel (i.e. Managing Director, Whole-time Director, Manager, CEO, CFO and Company Secretary); and
  - c) remuneration of other employees.
- 4.4 Devising a policy on Board diversity
- 4.5 Performance evaluation of Independent Directors
- a) The Nomination Committee shall *lay down the evaluation criteria* for performance evaluation of independent directors.
  - b) The company shall disclose the criteria for performance evaluation, as laid down by the Nomination Committee, in its Annual Report.
  - c) The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated).
- 4.6 On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.
- 4.7 Recommend to the Board, all remuneration, in whatever form, payable to senior management**
- 4.8 The Chairperson of NRC or any other member authorised by him in this behalf will attend the general meetings of the company.

### **5. Appointment and removal of Independent Directors, Non-executive Directors and Key Managerial Personnel**

#### 5.1 Key Managerial Personnel (KMP) means –

- a) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director;
- b) Chief Financial Officer;
- c) Company Secretary; and
- d) such other officer as may be prescribed by the Companies Act, 2013 and rules made thereunder.

#### 5.2 Senior Managerial Personnel means –

***“Officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise 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.*”**

- 5.3 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.
- 5.4 A person should possess adequate qualification, expertise, experience and conform to the criteria for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- 5.5 The Company shall not appoint or continue the employment of any person as Managing Director / Whole-time Director who 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.

### **6. Term and Tenure of Independent Directors, Non-executive Directors and Key Managerial Personnel**

- 6.1 The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director for a term not exceeding *five* years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
- 6.2 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.



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- 6.3 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.
- 6.4 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 seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.
- 6.5 The term and tenure of Independent Directors, Non-executive Directors and Key Managerial Personnel will be subject to the provisions of the Companies Act, 2013, rules made thereunder and listing agreement / regulations of Securities Exchange Board of India, as may be applicable from time to time.
- 6.6 The Directors, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Company may retain any Senior Management Personnel in the same position/ remuneration or on such terms and conditions, as it may deem fit, even after attaining the retirement age, for the benefit of the Company as per its policy.

### **7. Evaluation of Independent Directors, Non-executive Directors and Key Managerial Personnel other than the Chief Financial Officer, Company Secretary**

- 7.1 The Committee shall carry out evaluation of performance of Director, KMP other than the Chief Financial Officer, Company Secretary and Senior Management Personnel yearly or at such intervals as may be considered necessary as per the evaluation criteria laid down by the Nomination and Remuneration Committee.

### **8. Removal of Independent Directors, Non-executive Directors and Key Managerial Personnel other than the Chief Financial Officer, Company Secretary**

- 8.1 The Committee may recommend with reasons recorded in writing, removal of a Director, KMP subject to the provisions of the Companies Act, 2013, rules made thereunder and listing agreement / regulations of Securities Exchange Board of India, as may be applicable from time to time.

### **9. Remuneration of Independent Directors**

#### 9.1 Sitting Fees

Sitting fees for attending meetings of the Board and its Committees as may be decided by the Board from time to time within the limits prescribed under the Act. The sitting fees presently paid to the Non-Executive Independent Director is Rs.20,000/- per meeting of the Board and Rs.20,000/- per meeting any Committee of the Board thereof.

#### 9.2 Reimbursement of expenses

Reimbursement of expenses incurred in connection with attending the Board meetings, Board Committee meetings, general meetings and in relation to the business of the Company towards hotel accommodation, travelling and other out-of-pocket expenses.

### 10. Remuneration of Non-Executive Directors

#### 10.1 *Remuneration to Directors*

*A Director, who is neither in the whole-time employment nor a Managing Director may be paid remuneration either by way of monthly, quarterly or annual payments or by way of commission at a specified percentage of the net profits of the company or partly by one way and partly by the other.*

#### 10.2 Sitting Fees

Notwithstanding Clause 10.1, sitting fees for attending meetings of the Board and its Committees as may be decided by the Board from time to time within the limits prescribed under the Act. The sitting fees presently



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paid to the Non-Executive Director is Rs.50,000/- per meeting of the Board and Rs.20,000/- per meeting any Committee of the Board thereof.

### 10.3 Reimbursement of expenses

Reimbursement of expenses incurred in connection with attending the Board meetings, Board Committee meetings, general meetings and in relation to the business of the Company towards hotel accommodation, travelling and other out-of-pocket expenses.

## 11. **Remuneration of Managing Director(s)**

11.1 The remuneration / compensation / commission etc. to the Director, KMP other than the Chief Financial Officer and Company Secretary 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 facto approval of the shareholders of the Company and Central Government, as may be required.

11.2 The remuneration and commission to be paid to the Director shall be in accordance with the percentage / limits / conditions laid down in the Companies Act, 2013. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs / limits approved by the Shareholders in the case of Managing Director / Whole-time Director.

11.3 Where any insurance is taken by the Company for the Directors, Key Managerial Personnel, Senior Management Personnel and for 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.

### 11.4 Fixed pay

The Managing Director(s) / Whole-time Director 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, as may be required.

### 11.5 Minimum Remuneration

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director / Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and with the previous approval of the Central Government, if required.

### 11.6 Provisions for excess remuneration

If any Managing Director / 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.

## 12. **Remuneration to Key Managerial Personnel other than Managing Director, Whole-time Director, Senior Management Personnel and employees of the company**

12.1 The remuneration to Key Managerial Personnel, Senior Management Personnel and other employees of the company shall consist of fixed pay and performance pay, in compliance with the Company's Policy.



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### 12.2 Fixed Pay

The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, etc. as decided from to time.

### 12.3 Performance Pay

The Performance pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel, Senior Management and other employees, to be decided annually or at such intervals as may be considered appropriate.

### 12.4 Coverage of Risk Benefits

The Company will provide mediclaim cover to Key Managerial Personnel, Senior Management Personnel and other employees and their family as per limits, which may be determined by the Company from time to time, through appropriate insurance cover. The company will also provide personal accident coverage to Key Managerial Personnel, Senior Management Personnel and other employees as the limits, which may be determined by the Company from time to time, through appropriate insurance cover.

### 12.5 Provision of Car and other work related benefits

Taking into consideration any specific matters, including the assignments and the responsibility undertaken Senior management personnel and such other employees as may be determined by the company's policy will have access to a number of work-related benefits, including company car, free telephony, broadband at home, and work-related newspapers and magazines. The extent of individual benefits will be as per the company's policy.

### 12.6 Directors & Officers' Liability Insurance Policy (D&O Policy)

The Company has and will continue to have a D&O Policy in place at all times, pays the premiums under insurance policies providing coverage against civil liability deriving from holding the office of Director, KMP, Senior Management Personnel and other employees.

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