
NOMINATION AND REMUNERATION POLICY

**[As approved by the Board of Directors at their meeting held on 11th August 2023
(Effective Date - 11th August 2023)]**

NOMINATION AND REMUNERATION POLICY

Preamble

In accordance with the requirements under Section 178 of the Companies Act, 2013 and the rules made thereunder (“**Act**”) and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (“**Listing Regulations**”), every listed public company is required to constitute a nomination and remuneration committee of directors (“**NRC**”).

The Board of Directors of Sundaram-Clayton Limited (“**Company**”) has accordingly constituted NRC which has formulated this nomination and remuneration policy (“**Policy**”) in accordance with the requirements of Section 178(3) of the Act read with the provisions under Regulation 19 read with Part D of Schedule II of the Listing Regulations.

1. Objective

This Policy is applicable in relation to nomination, appointment and remuneration of (i) the directors (including Independent Directors) of the Company, (ii) the key managerial personnel of the Company (KMP), and (iii) the senior management personnel appointed by the Company (SMP).

While formulating the Policy, NRC has considered the factors as provided under Section 178(4) of the Act, which are:

- 1.1 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;
- 1.2 relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- 1.3 remuneration to Directors, KMP and SMP 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.

2. Definitions

Capitalised terms as used in this Policy (including the Preamble) shall have the meanings as indicated in this Paragraph 2 and if not defined in this Paragraph 2 as assigned to such terms in the Preamble and other parts of this Policy:

- 2.1 “**Board**” means the board of directors of the Company.
- 2.2 “**Directors**” means directors on the Board of the Company including the Independent Directors.

2.3 **“Independent Directors”** means a director other than a managing director or a whole-time director or a nominee director who fulfils the tests of independence as referred to in Section 149 (6) of the Companies Act, 2013 read with the provisions of Regulation 16(1)(b) of the Listing Regulations.

2.4 **“KMP”** means the chief executive officer, the managing director, the whole time director, the manager, the chief financial officer, the company secretary of the Company, any other officer/senior management personnel designated as such by the Board, and such other officer as may be prescribed.

“SMP” means the members of the senior management of the Company as defined under Regulation 16(1)(d) of the Listing Regulation and shall include officers/ personnel of the Company who are members of the Company’s core management team excluding the Board and shall also 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 the chief financial officer. **“SMP”** means Vice President – Business Planning, Human Resource & Total Quality Management and Chief Technology Officer and such other positions as decided by the Board from time to time.

Unless the context otherwise requires, the “words and expressions” used in this Policy and not defined herein but defined in the Act and the Listing Regulations, as may be amended, from time to time, shall have the meaning assigned to them therein.

3. Applicability

This Policy is applicable to all Director(s) (including Independent Director(s)), KMP and SMP of the Company.

4. Role of NRC

The role and scope of the NRC shall be as follows:

- 4.1 To identify persons who are qualified to become Directors, Independent Directors, KMP and SMP of the Company, in accordance with the Company’s criteria and recommend to the Board their appointment and removal.
- 4.2 To formulate criteria for determining qualifications, positive attributes and independence of an Independent Director.
- 4.3 To recommend to the Board on aspects of remuneration of the Directors, KMP and SMP and other employees.
- 4.4 To formulate the criteria/ specify the manner for effective evaluation of performance of Directors, independent directors, Board (and its committees,

chairman of the Board) and whether such evaluation is to be carried out either by the Board, by NRC or by an independent external agency, and review implementation and compliance with such evaluation requirements.

- 4.5 Retaining, motivating and promoting talent among the personnel of the Company and ensuring long term sustainability of talented personnel by creation of competitive advantage through a structured talent review.
- 4.6 To recommend to the Board 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.
- 4.7 To develop a succession plan for the Board and to regularly review such plan accordingly.
- 4.8 To make recommendations to the Board with respect to incentive compensation plans.
- 4.9 To periodically review the composition and duties of committees of the Board and recommend any changes.
- 4.10 To consider the adequacy of the constituent documents of the Company
- 4.11 To devise a policy on diversity of the Board.
- 4.12 To carry out any other responsibilities and duties delegated to it by the Board from time to time.
- 4.13 To carry out additional functions and adopt/recommend additional policies and procedures as may be required or appropriate in light of changing business, legislative, regulatory, legal or other conditions.

5. Succession planning for appointment of Directors, KMPs/ SMPs:

Pursuant to Regulation 17(4) of the Listing Regulations, the Board is required to ensure that plans are in place for orderly succession for the Board. Accordingly, the NRC has formulated the following criteria and related procedures:

Succession plan for the Board and KMPs

- 5.1 NRC shall identify suitable persons based on the criteria of the Company and the vacancy that has arisen or is due to arise, for the position of Director, Independent Director and/ or KMP.
- 5.2 NRC shall apply a due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a

Director, Independent Director and/ or KMP based on their educational qualifications, relevant experience and track record, and any other criteria, as necessary under the internal policies of the Company, the Act and the Listing Regulations. All appointments or re-appointments of persons falling within the applicability of this Policy shall be subject to prior recommendation by NRC.

- 5.3 The appointment, re-appointment or removal of the person at the Board and KMP level shall be recommended by NRC and approved by the Board for implementation.

Succession plan for SMP

- 5.4 NRC shall periodically review and consider the list of SMPs due for retirement, vacancies arising out of attrition or business needs during the course of the year. Accordingly, NRC shall assess the availability of suitable candidates, based on the Company's criteria and recommend suitable candidate to the Board.
- 5.5 In the event that an SMP is due for retirement, NRC may review the possibility of extending the term of such SMP on the basis of health, age, leadership quality and the person's willingness to continue for an extended term. In the event an extension is possible, such cases will be recommended by NRC to the Board for its approval.
- 5.6 NRC may recommend to the Board, if necessary, to appoint other suitable external candidate(s) as special recruitment in senior managerial level based on job roles and competency in order to provide a continuous flow of talented people to meet the organizational needs.
- 5.7 If such position is to be filled internally or externally, NRC will evaluate the suitable candidates for the said positions internally as well as externally on basis of the criteria such as job role, experience, leadership qualities, competencies, track record, etc.
- 5.8 Emergency succession or temporary change
- 5.8.1 If a KMP's/ SMP's position suddenly becomes vacant by reason of death or other unanticipated occurrence, NRC shall convene a special meeting as early as possible to implement the process described herein, subject to the necessity involved.
- 5.8.2 For a temporary change in executive leadership (which may be for reasons including on account of illness or leave of absence for long time), the immediate junior officer, reporting to such executive, shall take charge in place of his/ her senior until the senior executive re-joins the office or if he/ she is not found to be suitable for the role

then such other person who in view of the NRC or the managing director is competent will take charge until the senior executive re-joins the office.

- 5.9 NRC may utilize the services of professional search firms to assist in identifying and evaluating potential candidates, for filling vacancies in the Company.
- 5.10 NRC shall identify high-potential employees who merit faster career progression to positions of higher responsibility and formulate, administer, monitor and review the process of skill development and identify the training requirements.
- 5.11 Where it is decided to appoint an external candidate, timely and planned steps shall be taken for selection of a suitable candidate so that the appointment is made well before the retirement/relieving of the concerned personnel to ensure the smooth transition.
- 5.12 In the event candidates are identified by managing director and/ or the chief executive officer of the Company, the shortlisted candidates shall be referred to the NRC for due diligence and evaluation and subject to such evaluation by NRC they could be recommended to the Board for its approval.
- 5.13 All recommendations of NRC shall be placed before the Board for its approval.

6 Composition and quorum of the NRC

- 6.1 NRC shall comprise of at least 3 (three) Directors;
- 6.2 all Directors of NRC shall be non-executive directors; and
- 6.3 at least two-thirds of the Directors who are members of the NRC shall be Independent Directors.
- 6.4 The chairperson of the NRC shall be an Independent Director. The chairperson of the Company, whether executive or non-executive, may be appointed as a member of the NRC and shall not chair the committee.
- 6.5 At least one-third or 2 (two) members whichever is greater, including at least one Independent Director shall constitute a valid quorum for the NRC meeting. NRC may invite any executive, as it considers appropriate, to be present at the meetings of NRC.
- 6.6 The chairperson of the NRC, or in his absence, any other member of the NRC authorized by him/her on his/her behalf, may be present at the annual general meeting of the Company, to answer the shareholders' queries. However, it

shall be up to the chairperson to decide who shall answer the queries.

6.7 The term of the NRC shall continue unless terminated by the Board.

7 Voting

Matters arising for determination at the NRC meetings shall be decided by majority of votes of members present and any decision arrived at by the members shall for all purposes be deemed a decision of the NRC. The chairman of NRC shall have a casting vote in case of a tie of votes.

8 Frequency of Meetings of NRC

NRC shall meet at least once in a year and any such regular intervals as may be required.

9 Appointment of Director, KMP and SMP

- 9.1 NRC shall identify and ascertain the integrity, qualification, expertise and experience of a candidate and recommend to the Board for his / her appointment as a Director, Independent Director, KMP or SMP, as the case may be.
- 9.2 NRC has the discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- 9.3 NRC shall ensure that any person who is appointed or continues in the employment of the Company as its executive chairman / vice chairman, managing director, whole time director or manager should comply with the conditions and eligibility criteria as set out in Section 196 read with Part I of Schedule V of the Act and any other applicable law.
- 9.4 NRC shall ensure that any appointment of a person as an Independent Director of the Company shall be made in accordance with the provisions of Section 149 read with Schedule IV of the Act along with applicable provisions of the Listing Regulations and any other applicable law.

10 Tenure of appointment

10.1 Executive Director(s)

Board shall, on the recommendation of NRC, appoint / re-appoint any person as its executive chairman, managing director, whole time director or by whatever name called, for a term up to 5 (five) consecutive years. Further, no re-appointment of such person shall be made at a time earlier

than 1 (one) year before the expiry of term.

10.2 Independent Director(s)

- 10.2.1 An Independent Director appointed on the Board shall hold office for a term up to 5 (five) consecutive years on the Board of the Company and shall be eligible for reappointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- 10.2.2 No Independent Director shall hold office for more than 2 (two) consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an Independent Director. The said Independent Director shall not, during such 3 (three) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- 10.2.3 At the time of appointment of an Independent Director, it should be ensured that number of board of directors on which such Independent Director is serving as a director/independent director, is restricted to such number (whether as a director or an independent director) as prescribed in applicable regulations in force.

11 Evaluation

- 11.1 NRC shall specify the manner for effective evaluation of performance of Board as a whole, committees of the Board and individual Directors.
- 11.2 NRC shall monitor and review the framework adopted for evaluation of the Board, conduct an assessment of the performance of the Board, committee of the Board, Directors, Independent Directors, and the chairperson of the Board against criteria as formulated by it.
- 11.3 The performance evaluation of the Independent Directors shall be done by the entire Board, on recommendation of the NRC (excluding the Independent Director that is being evaluated), which shall include evaluating: (i) the performance of the directors; and (ii) fulfilment of the independence criteria by Independent Directors.
- 11.4 NRC, on request of the Board, may formulate evaluation methodology that shall be used to evaluate performance of such personnel, as necessary, either by the Board, NRC itself or by an external agency. This evaluation methodology will be approved by the Board before it is used for evaluation.

12 Removal

NRC may recommend to the Board, with reasons recorded in writing, for removal of any Director, KMP and SMP of the Company, if any of such aforementioned person, due to any reason, is eligible for disqualification under the provisions of the Act, the Listing Regulations or any other applicable law.

13 Retirement

The Director, KMP and SMP of the Company shall retire as per the applicable provisions of the Act and any prevailing policy of the Company, as applicable. However, the Board shall have the discretion to retain such retiring Director, KMP and SMP of the Company at same position / remuneration or otherwise, if permitted by the provisions of the Act and the Listing Regulations or any such applicable law, even after attaining the retirement age, for the benefit of the Company.

14 Remuneration

14.1 Executive Director(s)

NRC shall determine the remuneration payable to the executive Directors of the Company and recommend to the Board for its approval. The Board's approval shall be subject to approval of the shareholders of the Company and the Central Government, if required. The remuneration payable to the executive Directors of the Company shall be in accordance with the applicable percentage(s) / slab(s) / condition(s) as set out in: (i) the articles of association of the Company and (ii) provisions of the Act and any other applicable law.

The fees or compensation payable to executive Directors who are promoters or members of the promoter group, shall be subject to approval of the shareholders of the Company and paragraph 14.3 below, in case:

- i. the annual remuneration payable to one such executive director exceeds INR 5,00,00,000 (Indian Rupees five crore) or 2.5% (two point five percent) of the net profits of the Company, whichever is higher; or
- ii. where there are more than one such Director, the aggregate annual remuneration to such Directors exceeds 5% (five percent) of the net profits of the Company.

14.2 Non- Executive / Independent Director(s)

The non – executive / Independent Director(s) shall receive remuneration by way of fees for attending meetings of Board or any committee thereof in which such Director(s) is a member, provided that, the amount of such sitting fee shall not exceed (i) INR 1,00,000 (Indian Rupees one lakh) per meeting of the Board or any committee thereof in which such Director(s) is member or (ii) such other amount as may be prescribed by the Act and/ or any other applicable law.

- (i) The non – executive / Independent Director(s) may be paid such other remuneration whether by way of commission or otherwise which shall be subject to the monetary limit as provided under the Act. Such remuneration will be fixed by the Board on criteria considering the number of the Board/committee meetings attended during the year and Chairmanships of the committees. Further, in the event that annual remuneration payable to a single non-executive Director exceeds 50% (fifty percent) of the total annual remuneration payable to all non-executive Directors, the approval of shareholders by a special resolution shall be obtained by the Company.
- (ii) Independent Director(s) of the Company shall not be entitled to any stock option in the Company.

14.3 Overall limits on remuneration of Directors:

Keeping in line with the provisions of the Act:

- (i) the total managerial remuneration payable by the Company to its Directors, including the managing director and whole-time director, and its manager (as defined under the Act) in respect of any financial year shall not exceed 11% (eleven percent) of the net profits of the Company for that financial year.
- (ii) remuneration payable to any one managing director or whole-time director or manager of the Company shall not exceed 5% (five percent) of the net profits of the Company and if there are more than one such Directors, remuneration shall not exceed 10% (ten percent) of the net profits to all such Directors and manager taken together.

14.4 KMP / SMP

- (a) NRC shall recommend to the Board and the Board will approve the remuneration payable to (i) KMP, who is / are not an executive Director, and (ii) SMP of the Company.
- (b) The break-up of the remuneration payable to KMP and SMP of the

Company including the perquisites such as employer's contribution to provident fund, pension scheme, medical expenses, club fees and like shall also be approved by the Board on the recommendations received from the NRC.

14.5 Insurance

Where the Company is required to avail any insurance on behalf of its executive Director(s)/ KMPs for indemnifying them against any liability(ies) in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the Company, the premium paid on such insurance shall not be treated as part of the remuneration payable by the Company to any such personnel.

However, if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration of the executive Director(s), responsible for such claim.

15 Profit related commission

Directors

The Directors are entitled to profit related commissions in accordance with the applicable provisions under the Act and any other applicable law.

KMPs/ SMPs

In addition to fixed remuneration, to motivate other KMPs who are not Director(s), and SMP of the Company to pursue a long term growth and success for and of the Company, the NRC may recommend to the Board the amounts that may be distributed amongst other KMP and SMP of the Company as performance based remuneration, on such interval as the NRC may think fit.

16 Equity based remuneration

16.1 Subject to the provisions of the Act and any other applicable law, all Directors, KMP and SMP of the Company may be entitled to avail any stock options including stock appreciation rights or such other benefits if issued by the Company, except for:

- a) the Independent Director(s)
- b) a director or an employee, who is a promoter or a relative of the promoter(s) or belonging to the promoter group;
- c) any Director(s) holding more than 10% (ten percent) equity shares of the Company, either directly or indirectly.

16.2 The equity based remuneration to managing director and whole -time director or manager of the Company shall be subject to limits prescribed under the Act and/ or any other applicable law.

17 Minimum remuneration:

If, in any financial year, the Company has no profits or inadequate profits, it may pay remuneration to its managerial persons or other directors in accordance with the provisions of Schedule V of the Act, provided that, any deviation in remuneration from the provisions of Schedule V of the Act shall be with the approval of the shareholders of the Company.

18 Provisions for excess remuneration:

In the event that any Director draws or receives, either directly or indirectly, remuneration in excess of the limits prescribed under provisions of the Act or without requisite approvals under the Act, such Director shall refund such sums to the Company within two years or such lesser period as may be allowed by the Company and until such sum is refunded, he / she shall hold it in trust for the Company. The Company shall not waive any of its recovery right of the refundable sum unless approved by the shareholders by way of a special resolution passed within two years from the date the sum become refundable.

19 Authority

NRC shall have free access to management and management information. NRC, at its sole authority, may seek the advice of outside experts or consultants at the Company's expense where deemed necessary, to discharge its duties and responsibilities. The Company Secretary of the Company shall act as Secretary of NRC.

20 Implementation and review

NRC is responsible for the monitoring, implementation and review of this Policy. NRC shall provide recommendations to the Board as to how effectively to structure and facilitate a remuneration strategy and all other aspects of the Policy, to meet the needs of the Company. The Policy will be reviewed by the NRC periodically. The Board shall review the compliance with this Policy at regular intervals.

In case of any changes in the provisions of the Act and/or the Listing Regulations which make any of the provisions of the Policy inconsistent with the Act or the Listing Regulations, then the provisions of the Act or the Listing Regulations would prevail over the Policy and the provisions of the Policy would be modified accordingly in due course.

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