



DIVGI TORQTRANSFER SYSTEMS LIMITED

NOMINATION AND REMUNERATION POLICY

Document Control

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| Created by | Company Secretary and Compliance Officer |
| Reviewed by | Nomination and Remuneration Committee on April 29, 2022 |
| Approved by | Board of Directors on August 09, 2023 |
| Version | 2.0/2023 |

Document Record Sheet

| Sr. No. | Revision No. | Date | Description of changes |
|----------------|---------------------|----------------|--|
| 1. | First | August 09,2023 | Insertion of definition of “Senior Management Personnel pursuant to amendment by SEBI and approval by Board of the same in it’s meeting held on August 09, 2023. |
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1. Introduction

The Nomination & Remuneration Policy (“**Policy**”) of Divgi TorqTransfer Systems Limited is formulated for its directors, key managerial personnel and other employees under the requirements of applicable laws, including the Companies Act, 2013 (“**Act**”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (“**Listing Regulations**”).

2. Objective and Purpose

The objectives and purpose of this Policy are:

- 2.1. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a director (executive/non-executive/independent) of the Company (“**Director**”); and
- 2.2. To recommend policy relating to the remuneration of the Directors, KMP and Senior Management Personnel to the Board of Directors of the Company (“**Board**”).

This includes reviewing and approving corporate goals and objectives relevant to the compensation of the executive Directors, evaluating their performance in light of those goals and objectives and either as a committee or together with the other independent Directors (as directed by the Board), determine and approve executive Directors’ compensation based on this evaluation; making recommendations to the Board with respect to KMP and Senior Management Personnel compensation and recommending incentive- compensation and equity-based plans that are subject to approval of the Board.

3. Constitution of the Nomination and Remuneration Committee

- 3.1. The Board has constituted the “Nomination and Remuneration Committee” as per the requirements of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Policy and the Nomination and Remuneration Committee Charter are integral to the functioning of the Nomination and Remuneration Committee and are to be read together.

The Board has authority to reconstitute this Committee from time to time.

4. Definitions

- a. ‘Board’ means Board of Directors of the Company.
- b. ‘Directors’ means directors of the Company.
- c. ‘Committee’ means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act and applicable Listing Regulations.
- d. ‘Company’ means Divgi TorqTransfer Systems Limited.
- e. ‘Independent Director’ means a Director referred to in Section 149(6) Act and rules and Listing Regulations.

- f. 'Key Managerial Personnel (KMP)' means-
- i) the Managing Director or Chief Executive Officer or manager Whole-time Director
 - ii) the Company Secretary;
 - iii) the Chief Financial Officer;
 - iv) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board of Directors; and
 - v) Any other person as defined under the Act from time to time.
- g. 'Senior Management Personnel' shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

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

5. General

This Policy is divided in three parts: -

Part – A covers the matters to be dealt with and recommended by the Committee to the Board;

Part – B covers the appointment and removal of Directors, KMP and Senior Management Personnel; and

Part – C covers remuneration for Directors, KMP and Senior Management Personnel

Part – A

Matters to be dealt with, perused, and recommended to the Board by the Nomination and Remuneration Committee ("NRC")

The following matters shall be dealt with by the Committee: -

(a) Size and composition of the Board:

Periodically reviewing the size and composition of the Board to have an appropriate mix of executive and independent Directors to maintain its independence and separate its functions of governance and management and to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company;

(b) Directors:

Formulate the criteria determining qualifications, positive attributes and independence of a Director and recommend candidates to the Board when circumstances warrant the appointment of a new Director, having regard to qualifications, integrity, expertise and experience for the position.

(c) Succession plans:

Establishing and reviewing Board, KMP and Senior Management Personnel succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management Personnel.

(d) Evaluation of performance:

- (i) Make recommendations to the Board on appropriate performance criteria for the Directors.
- (ii) Formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company or engage with a third-party facilitator in doing so.
- (iii) Identify ongoing training and education programs for the Board to ensure that Non-Executive Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.

(e) Board diversity:

The Committee is to assist the Board in ensuring the Board nomination process is in line with the diversity policy of the Board relating to gender, thought, experience, knowledge and perspectives. The policy on Board diversity has been displayed on the website of the Company.

(f) Remuneration framework and policies:

The Committee is responsible for reviewing and making recommendations to the Board on:

- a. Remuneration of executive Directors to be presented for shareholders' approval including severance, if any.
- b. Individual and total remuneration of non-executive Directors, which includes the Non-Executive Directors, Nominee Director and the Independent Directors, including any additional fees payable for membership of Board committees;
- c. the remuneration and remuneration policies for KMP and Senior Management Personnel including base pay, incentive payments, equity awards, retirement rights, severance pay if any and service contracts having regard to the need to:
 - (i) attract and motivate talent to pursue the Company's long-term growth;
 - (ii) demonstrate a clear relationship between executive compensation and performance;
 - (iii) be reasonable and fair, having regard to best governance practices and legal requirements and
 - (iv) balance between fixed and incentive pay reflecting short and long-term performance objectives as appropriate for the Company and its goals
- d. the Company's incentive compensation and equity-based plans including a consideration of performance thresholds and regulatory and market requirements;

PART – B

Policy for appointment and removal of Directors, KMP and Senior Management Personnel

(a) Appointment criteria and qualifications:

1. The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director, KMP or Senior Management Personnel and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
2. A person to be appointed as Director, KMP or Senior Management Personnel should possess adequate qualification, expertise and experience for the position he / she is considered for a person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
3. For every appointment of an independent director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended for such role shall meet the description.
4. For the purpose of identifying suitable candidates, the Committee may;
 - a. use the services of an external agencies, if required
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity and
 - c. consider the time commitments of the candidates
5. The Company shall not appoint or continue the employment of any person as Managing Director /executive Director who has attained the age of seventy years and shall not appoint Independent Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended at the discretion of the committee 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 as the case may be.
6. A whole-time KMP of the Company shall not hold office in more than one company except in its subsidiary company at the same time. However, a whole-time KMP can be appointed as a Director in any company, with the permission of the Board of Directors of the Company.
7. The Company shall not appoint any resigning independent director, as whole-time director, unless a period of one year has elapsed from the date of resignation as an independent director

(b) Term / Tenure:

1. Managing Director / Whole-time Director

The Company shall appoint or re-appoint any person as its Managing Director and CEO or Whole-time 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.

2. 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 in the manner as specified under the Act and Listing Regulations.

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. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. 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 applicable regulations in force.

(c) Removal:

Due to reasons for any disqualification mentioned in the Act and Rules made thereunder or under any other applicable Act, rules and regulations, 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.

(d) Retirement:

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 Board will have the discretion to retain the Directors, KMP and Senior Management Personnel in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

PART – C

Policy relating to the remuneration for Directors, KMP and Senior Management Personnel

(a) General

1. The remuneration / compensation / commission etc. to be paid to Directors will be determined by the Committee and recommended to the Board for approval.
2. The remuneration and commission to be paid to the Managing Director/Whole-time Director shall be in accordance with the provisions of the Companies Act, and the rules made thereunder.
3. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the Shareholders in the case of Managing Director/ Whole-time Director.
4. Where any insurance is taken by the Company on behalf of its Directors, KMP and Senior Management Personnel 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.

(b) Remuneration to KMP and Senior Management Personnel

The pay program for KMP and Senior Management Personnel has been designed around three primary pay components: Base/Fixed Pay, Statutory payouts, and Performance Linked Incentives.

1. **Base/ Fixed pay:** It is paid monthly or as per payroll policy and the employment agreements of the company.
2. **Statutory Payouts:** These payouts are as per applicable labour laws
3. **Performance Linked Incentives:** Payable on the achievement of objective and quantifiable key performance indicators (KPI) as established by the /Company.

The total remuneration for KMP and Senior Management Personnel is designed to ensure their continued alignment with organizational goals. The Committee aims to ensure that KMP and Senior Management Personnel pay is reflective of market pay, consisting of a good mix of base/ fixed pay, and performance-linked incentives. The emphasis on incentives ensures alignment with stakeholder's interests, through a continued focus on the Company's sustainable, long-term performance.

(c) Remuneration to other employees

The compensation for other employees would be as per the compensation policy of the Company, as revised through the annual compensation review process from time to time and approved by the Managing Director, in consultation with the Head- HR.

(d) Minimum remuneration to Whole-time Directors

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Directors in accordance with the provisions of Schedule V of the Act.

(e) Remuneration to Non-Executive / Independent Directors

Remuneration:

The remuneration payable to each Non-Executive Director is based on the remuneration structure as determined by the Board, and is revised from time to time, depending on individual contribution, the Company's performance, and the provisions of the Act and the rules made thereunder. If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Non-Executive / Independent Directors in accordance with the provisions of Schedule V of the Act.

- i. Stock incentive: The Independent Directors shall not be entitled to any stock option or stock incentive of the Company.
- ii. The remuneration to the Non-executive Directors (including Independent Directors) 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.

6. Policy review

- (a)** This Policy is framed based on the provisions of the Act and rules thereunder and the requirements of Listing Regulations with the Stock Exchanges.
- (b)** In case of any subsequent changes in the provisions of the Act or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.
- (c)** This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification to the policy as recommended by the Committee would be placed before the Board of Directors for their approval.

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.