POLICY ON NOMINATION AND REMUNERATION

Introduction:

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and other employees of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulations") as amended from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee ("Committee") and has been approved by the Board of Directors.

Objective and purpose of the Policy:

- 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");
- To ensure that 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 and to ensure long term sustainability of talented managerial persons and create competitive advantage;
- To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- To ensure remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the Company's operations and its goals.

Effective Date:

This policy shall be effective from 01 April, 2014.

Constitution of the Nomination and Remuneration Committee:

The Board has changed the nomenclature of Remuneration Committee constituted on 22 April, 2002 by renaming it as Nomination and Remuneration Committee on 07 May, 2014. The Board of Directors shall constitute the nomination and remuneration committee as follows:

- (1) the Committee shall comprise of at least three Directors;
- (2) all Members of the Committee shall be Non-Executive Directors;
- (3) at least two-third of the Directors shall be independent directors; and
- (4) The Chairperson of the Nomination and Remuneration Committee shall be an Independent Director:

Provided that the chairperson of the Company, whether Executive or Non-Executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.

The Board has the power to reconstitute the Committee consistent with the Company's policy and applicable statutory requirement.

Definitions

- "Board" means Board of Directors of the Company.
- · "Directors" means Directors of the Company.



- "Committee" means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- "Company" means Bharat Gears Limited ("BGL")
- "Independent Director" means a Director referred to in Section 149 (6) of the Companies Act, 2013.
- **Key Managerial Personnel (KMP)** means a person appointed by a resolution of the Board pursuant to Section 203 of Companies Act, 2013 for below positions:
 - The Chairman and Managing Director/Joint Managing Director, or Chief Executive Officer or manager and in their absence, a Whole-Time Director;
 - the Company Secretary;
 - 3. the Chief Financial Officer
 - 4. Such other officer, not more than one level below the Directors who is in Whole-time employment, designated as Key Managerial Personnel (KMP) by the Board; and
 - 5. Such other officer as may be prescribed.

"Senior Management Personnel" shall mean officers/personnel of the Company who are members of its core management team excluding Board of Directors and 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 the functional heads, by whatever name called and the persons identified and designated as Key Managerial Personnel, other than the Board of Directors, by the Company.

Applicability

The Policy is applicable to;

- Directors (Executive and Non-Executive)
- Key Managerial Personnel
- Senior Management Personnel

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;

Part - C covers remuneration and perquisites for Directors, KMP and Senior Management

This policy shall be displayed on the website of the Company.

PART - A

MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
 - For every appointment of an Independent Director, the Nomination and Remuneration Committee 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 to the Board for appointment as an Independent Director shall have the capabilities identified in such description. 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.

- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- Formulate criteria for evaluation of performance of Independent Directors and the Board of Directors.
- Formulate the criteria for devising a policy on diversity of Board of Directors.
- Decide that 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.
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.

PART-B

POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

(a) Appointment criteria and qualifications:

- 1. 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, where, such 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.
- 2. For the said appointment the Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the concerned position.
- 3. The Company shall not appoint or continue the employment of any person as Managing Director, Whole time Director or manager 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.
- 4. The Company shall not appoint a person 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 to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

Provided that the Company shall ensure compliance with this clause at the time of appointment or re-appointment or any time prior to the Non-Executive Director attaining the age of seventy-five years.

• Term/Tenure:

1. Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Managing Director or whole time Director or manager 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 (5) 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.



No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, but such Independent Director shall be eligible for appointment after the expiration of three years of ceasing to become an Independent Director of two consecutive terms.

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 to be appointed as Independent Director of the Company.

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.

2. Non-Executive Director:

Non-Executive Director shall retire by rotation as below mentioned:

- The office of two third directors of total number of directors shall be determined by rotation at every Annual General Meeting held next after the date of Annual General Meeting in which such directors are appointed.
- One third of such two third number of directors shall be liable to retire from the office of Director on the Board of Directors of the Company.
- The Directors to retire by rotation shall be in multiple of three, if not, then the number nearest to one third, shall retire from office.
- The Directors who have been longest in office since their last appointment shall be liable to retire by rotation, if in any case, appointment of Directors on the same day, the retirement by rotation shall be determined by lot among themselves.
- The office of Independent Director, Additional Director, Managing Director and Nominee Director shall not be determined by rotation.

• Evaluation:

The Committee shall specify the manner to carry out evaluation of performance of Board, Committee, KMP and Senior Management Personnel and individual Director (except independent director) at regular interval (yearly) and review its implementation and compliance.

The performance evaluation of Committee of the Board shall be done by the Board annually. The performance evaluation of Board shall be done by the Independent Directors annually. The performance evaluation of independent Directors shall be done by the Board annually.

· Removal:

Due to reasons for any disqualification mentioned in the Companies Act, 2013, 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.

· Retirement:

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 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 subject to approvals as required under



the Applicable Laws.

PART - C

POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

General:

The remuneration/compensation/commission etc. to the Managing Director or Joint Managing 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 approval of the shareholders of the Company and Central Government, wherever required.

- 1. The remuneration and commission to be paid to the Directors including Managing Director or Joint Managing Director, Whole Time Director or Manager shall be in accordance with the provisions prescribed from time to time under section 196, 197, 198 of the Companies Act, 2013 read with Schedule V of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) and enactment(s) thereof for the time being in force) and in case the Company has no profits or its profits are inadequate shall not exceed the maximum remuneration payable in accordance with Section II of Part II of Schedule V of 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 approved by the Shareholders in the case of Managing Director/Whole-time Director(s).
- 3. Where any insurance is taken by the Company on behalf of its Chairman and Managing Director, Joint Managing Director, Chief Executive Officer, 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.
- Remuneration to Managing Director, Joint Managing Director, KMP and Senior Management Personnel:

1. Fixed pay:

The Managing Director/Joint Managing 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 break-up 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 on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

2. Minimum Remuneration:

If, in any Financial Year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Chairman and Managing Director, Joint Managing Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

3. Provisions for excess remuneration:

If Chairman and Managing Director/Joint Managing Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 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 waive recovery of such sum refundable to it if permitted by the Shareholders pursuant to Section 197 (10) of Companies Act, 2013.

Remuneration to Non-Executive/Independent Director:

1. 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 Rupees One lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/Board Committee Meetings, General Meetings, Court Convened Meetings, meetings with Shareholders/Creditors/Management, site visits, induction and training (organized by the Company for Directors) and in obtaining professional advice from independent advisors in the furtherance of his/her duties as a director.

Board's Diversity Policy

BGL recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of variety of skills, regional and industry experience, background, race, gender and other distinctions between Directors. This will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

All Board appointments, whenever required shall be made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Nomination and Remuneration Committee ('the Committee"') shall review and assess Board composition on behalf of the Board and recommend the appointment of new Directors, whenever the need for the same arises.

In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities effectively.

In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

Succession Plans

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



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Implementation

The Nomination and Remuneration Committee is responsible for recommending the remuneration policy to the Board. The policy shall be effective from the date of approval by Board.

The Policy has been initially approved by the Board of Directors of the Company on 01 August, 2014 and further, this policy has been amended and adopted by the Board of Directors of the Company as per the following details:

S.no.	Date of Amendment	Particulars of Amendment
1.	29 October, 2015	To Reconstitute the Nomination and Remuneration Committee.
2.	24 May, 2016	To incorporate the necessary amendments with respect to the applicability of the Regulations.
3.	30 May, 2018	To Reconstitute the Nomination and Remuneration Committee.
4.	29 January, 2020	To incorporate the necessary amendments with respect to the amendments in the Regulations and for other changes as deemed necessary.
5.	12 May, 2022	
6.	30 January, 2024	To make amendment in the definition of Key Managerial Personnel (KMP).
7.	24 January, 2025	To incorporate the necessary changes as deemed necessary.

Review of the Policy

This Policy will be reviewed and reassessed by the Committee as and when required 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.

For Bharat Gears Limited

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Surinder Paul Kanwar (Chairman and Managing Director)