

M M FORGINGS LIMITED

NOMINATION AND REMUNERATION POLICY

1. **Preface:**

- 1.1. The present Human Resource Policy of the Company considers human resources as its invaluable assets and has its objective the payment of remuneration to all its employees appropriate to employees' role and responsibilities and the Company's goals based on the performance of each of its employees in the Company.

2. **Applicability:**

This Nomination and Remuneration Policy (NR Policy) has been formulated, inter alia, for nomination and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management Personnel and other Employees of M M Forgings Limited (hereinafter referred to as the Company), in accordance with the requirements of the provisions of Section 178 of the Companies Act, 2013 and Listing Agreement.

3. **Objective and Purpose of the Policy:**

The Objective and purpose of the Policy are:

- 2.1 To lay down criteria in relation to appointment and removal of Directors, Key Managerial Personnel (KMP) and Senior Management.
- 2.2 To carry out evaluation of the performance of the Directors and remuneration for the Directors, KMPs and other Senior Management.
- 2.3 To formulate criteria for determining qualification, positive attributes and independence of a Director.

4. **Definition :** *(Effective from April 1, 2019.):*

Words and expressions used in this policy shall have the same meaning assigned to them as specified in SEBI Regulation(s) as may be amended from time to time.

5. **Effective date of the Policy:**

This policy shall be effective from retrospective effect from 01 April 2014.

4. **Constitution of the Committee:**

- 4.1 The Committee is established by a resolution of the Board of Directors of the Company and is to be known as Nomination and Remuneration Committee. This Committee is formed with retrospective effect viz., from 01 April 2014.

With effect from 01 April 2017, the committee is reconstituted as follows:

Shri. V. Vaidyanathan – Chairman
Shri N. Srinivasan
Shri A.Gopalakrishnan
Smt Kavitha Vijay

4.2 Frequency of Meetings

Meetings shall be held at such times as the Committee deems appropriate, and in any event shall be held not less than twice a year.

4.3 Quorum

A quorum shall be two members.

4.4 Company Secretary ((Effective from April 1, 2019.):

The Company Secretary shall act as the secretary to the Committee.

4.5 Objective:

4.5.1 To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.

4.5.2 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

4.5.3 To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

(With effect from 01 April 2019)

4.5.4 Shall device a Policy on Board Diversity.

4.5.5 Shall specify the manner for effective evaluation of performance of Board, its committees and individual directors .

4.5.6 Delegate such activities to the Managing Director as the Committee deems necessary and to review the actions taken by the person on such activities.

5. **Role of the Remuneration Policy:**

The Remuneration Policy is divided into three parts

5.1. **Appointment:**

5.1.1. **Chairperson:** *(Effective from April 1, 2019.):*

5.1.1.1 Chairperson of the Committee shall be an Independent Director.

5.1.1.2 Chairperson of the Company may be appointed as a member of the Committee but shall not Chair the Committee.

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

5.1.1.4 At the Annual General Meeting the Chairperson or may authorize any other member of the Committee to answer the shareholders' queries.

5.1.2. **Directors**

Section 164 of the Companies Act, 2013 states disqualifications for appointment of any person to become Director of any Company. Any person who in the opinion of the Board is not disqualified to become a Director as per the above provision, and in the opinion of the Board, possesses the ability, integrity and relevant expertise and experience, can be appointed as Director of the Company.

5.1.3. **Independent Directors**

For appointing any person as an Independent Director he/she should satisfy the criteria of an Independent Director as per the applicable laws.

5.1.4. **Senior Management Personnel and KMP and Other Employees**

The Company has an Organisation Chart displaying positions of Senior Management including KMP and other positions with the minimum qualifications and experience requirements for each positions which commensurate with the size of its business and the nature and complexity of its operations. Any new recruit in the Company will match the requirements.

5.2. **Remuneration:**

5.2.1. **Structure of Remuneration for the Managing Director, Key Managerial Personnel and Senior Management Personnel;**

Key Managerial Personnel, who are Executive Directors, receive Salary, Perquisites and Commission on Net profit. The Overall Remuneration received by them will be within the permissible limit provided in the Companies Act, 2013. KMP, other than Executive Directors, Senior Management Personnel receive Basic Salary, Perquisites and Bonus (Ex gratia) . Perquisites include other allowances. The total salary includes fixed and variable components.

The Company's policy is that the total fixed salary should be fair and reasonable after taking into account the following factors:

- The scope of duties, the role and nature of responsibilities
- The level of skill, knowledge and experience of individual
- Core performance requirements and expectations of individuals
- The Company's performance and strategy

5.2.2. **Performance linked salary:**

The annual increase in the salary will be based purely on their performance.

5.2.3. **Remuneration for Non-executive Director:**

The total remuneration of Non- executive Directors may include all, or any combination of following elements:

- Fees for attending meeting of the Board of Directors and Committee thereof.
- Commission on net profits as permissible under Section 197 of the Companies Act, 2013 and decided by the Board from time to time to be payable to each of the Non-executive Director.
- Non-Executive Directors are entitled to be paid all traveling and other expenses they incur for attending to the Company's affairs, that may be fair and reasonable expenditure incurred by them while performing their role as Independent Directors

5.2.4. **Structure of Remuneration for Other Employees**

The power to decide structure of remuneration for other employees has been delegated to Shri Vidyashankar Krishnan, Vice Chairman & Managing Director and to Shri K. Venkatramanan, Joint Managing Director of the Company. Their report will be submitted in the Committee Meeting for their approval.

5.3. **Performance Evaluation:**

5.3.1 **Executive Directors and Non-Executive Directors**

The performance of the Board as a whole, of its committees, and of its members shall be evaluated at least once a year keeping in view the objectives of the Company. The results of board evaluation shall remain confidential between the Chairman and Directors concerned. The evaluation process will be used constructively as a mechanism to improve board effectiveness and maximize strengths.

5.3.2 **Criteria for evaluating Board members:**

Section 149 of the Companies Act, 2013 read with Schedule IV of the said Act states that the Independent Directors shall at its separate meeting review performance of non-independent directors and the Board as a whole and the performance evaluation of Independent Directors shall be done by the entire Board of Directors excluding the Director being evaluated.

5.3.2 **Criteria for evaluating KMP (Other than Executive Directors), Senior Management Personnel and Other employees:**

Criteria for evaluating performance of KMP, Senior Management Personnel and Other Employees has been delegated to Shri Vidyashankar Krishnan, Vice Chairman & Managing Director and to Shri K. Venkatramanan, Joint Managing Director of the Company. The Criteria for evaluation will be appraised and approved by the Nomination and Remuneration Committee

6. **General Criteria for determining appointment, qualifications, positive attributes, independence of a director, KMP and other employees:**

- 6.1. The Board shall have minimum 3 and maximum 15 directors, unless otherwise approved.
- 6.2. No person of age less than 21 years shall be appointed as a director on the Board.
- 6.3. The Company shall have such person on the Board who complies with the requirements of the Companies Act, 2013, Provisions of the Listing Agreement, Memorandum of Association and Articles of Association of the Bank and all other statutory provisions and guidelines as may be applicable from time to time.
- 6.4. Majority of the Directors shall have specialised knowledge/experience in the areas like Agriculture, Banking, SSI, Legal, Risk Management, Accountancy, Finance, Windmill, manufacturing of forgings etc.
- 6.5. Except for the Vice Chairman and Managing Director and the Joint Managing Director, no other directors are paid remuneration, but are paid only sitting fees and Commission subject to the ceiling provided in the Companies Act, 2013.
- 6.6. Vice Chairman and Managing Director / CEO, Company Secretary and Chief Financial Officer shall be the Key Managerial Personnel (KMPs) of the Company.
- 6.7. All persons who are Directors / KMPs, members of Senior Management and all other employees shall abide by the Code of Conduct. Directors/KMPs shall not acquire any disqualification and shall be persons of sound integrity and honesty, apart from knowledge, experience, etc. in their respective fields.

7. **Amendment**

The Board of Directors shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.

