



**REMUNERATION POLICY FOR THE  
DIRECTORS,  
KEY MANAGERIAL PERSONNEL (KMP),  
MEMBERS OF SENIOR MANAGEMENT  
AND  
OTHER EMPLOYEES**

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## ALLIED ENGINEERING WORKS LIMITED

### Remuneration Policy for the Directors, Key Managerial Personnel (KMP), Members of Senior Management and other Employees

#### 1. BACKGROUND

Section 178 of the Companies Act, 2013 requires the Nomination and Remuneration Committee (“**Committee**”) to recommend to the Board of Directors (“**Board**”) a policy for nomination and remuneration of directors, key managerial personnel (“**KMP**”), Senior Management and other employees.

This nomination and remuneration policy (“**Policy**”) harmonises the requirements of the Companies Act, 2013 including any rules made thereunder, each as amended (“**Act**”) and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”).

Allied Engineering Works Limited (“**Company**”) considers its human resources its invaluable assets. This Policy has been formulated to align aspirations of the employees with the goals of the Company.

The Policy shall be applicable to the Company with effect from the listing of the equity shares of the Company on one or more recognized stock exchanges.

#### 2. OBJECTIVE

The Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013, and Regulation 19 of SEBI Listing Regulations. The key objectives of the Committee would be:

1. To recommend to the Board appointment and removal of Directors (Whole-time/non-executive/independent), KMP and Senior Management of the Company.
2. To recommend to the Board the remuneration payable to the Directors, KMP, Senior Management and Other Employees of the Company.
3. To evaluate the performance of every member of the Board, KMP, member of Senior Management and provide necessary report to the Board for their further performance evaluation by the Board.
4. To recommend reward(s) payable to the KMP and Senior Management, linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
5. To attract, retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
6. To do such other acts or deeds as may be prescribed under applicable law.

#### 3. DEFINITIONS

“**Act**” means the Companies Act, 2013 and rules framed thereunder, as amended from time to time.

“**Board**” means Board of Directors of the Company.

“**Committee**” means the Nomination and Remuneration Committee of the Board.

“**Company**” shall mean Allied Engineering Works Limited.

“**Directors**” mean Directors of the Company.

“**Key Managerial Personnel**” or “**KMP**” shall have the same meaning ascribed to it in clause (51) of section 2 of the Act and Regulation 2(1)(bb) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

“**Other Employees**” means the employees as may be decided by the Committee from time to time.

“**Senior Management**” shall have the same meaning ascribed to it in Regulation 16(1)(d) of the SEBI Listing Regulations.

“**SEBI Listing Regulations**” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

Words and expressions not defined in this Policy shall have the same meaning as contained in the Act, the SEBI Listing Regulations or any other applicable laws or regulations. In case of any contradictions in the provisions of the SEBI Listing Regulations, the Act or any other regulation and provisions of the Policy, the provisions of the Act and the SEBI Listing Regulations will prevail over the Policy.

#### **4. ROLE OF COMMITTEE**

##### **The Committee shall:**

1. Identify and nominate, for the approval of the Board and ultimately the shareholders, candidates to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular with respect to the Chairperson of the Board and the Chief Executive Officer.
2. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board, a policy relating to remuneration of the Directors, KMP, Senior Management and other Employees of the Company.
3. Formulation of criteria for evaluation of independent directors and the Board. For every appointment of an independent director, the 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 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
4. Devising a policy on Board diversity.
5. To lay down or amend Policy for appointment and removal of Director, KMP and Senior Management.
6. Recommend to the Board, appointment and removal of Director, KMP and Senior Management.
7. 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.
8. 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.
9. To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
10. To recommend to the Board, all remuneration, in whatever form, payable to Senior Management
11. To ensure that the remuneration to Directors, KMP and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives of the Company.
12. Administering, monitoring and formulating detailed terms and conditions of any ESOP plans of the Company.

##### **Appointment criteria and qualifications**

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 and while doing so, take note of the following:

1. The person should possess adequate qualification, expertise and experience 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 and satisfactory for the concerned position.
2. The Company shall not appoint or employ at the same time a managing director and a manager.
3. The Company shall not appoint or continue the employment of any person as managing director, manager or whole time director who is below the age of twenty-one years or has attained the age of seventy years. Provided that the appointment of a person who has attained the age of seventy years or term of such 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 in accordance with applicable law.
4. At the time of appointment of a Director it should be ensured that number of boards on which such Director serves as a director, including an alternate directorship, is restricted to twenty companies (including not more than ten public companies). Further a person shall not be a director in more than seven listed entities.

5. At the time of appointment of Independent Director it should be ensured that the number of boards of companies 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. No independent director, who resigns from a listed entity, shall be appointed as an executive / whole time director on the board of the Company, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director. The Company shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.
7. An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the Company's business.
8. Any vacancy in the office of independent director shall be filled by appointment of a new independent director within the prescribed period under the Act and/or SEBI Listing Regulations.
9. Provided that where the company fulfils the requirement of independent directors in its Board even without filling the vacancy, the requirement of replacement by / appointment of a new independent director shall not apply.
10. The Company shall ensure that approval of shareholders for appointment of a person on the Board is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

#### **Tenure**

##### *Managing Director, Whole-time Director, Manager:*

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 the term.

##### *Independent Director:*

An independent director shall hold office for a term up to five consecutive years 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. The appointment, re-appointment or removal of an independent director of the Company, shall be subject to the approval of shareholders by way of a special resolution.

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 above period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

##### *Continuation of Directors:*

The continuation of a Director serving on the Board of the Company shall be subject to the approval by the shareholders in a general meeting at least once in every five years from the date of their appointment or reappointment, as the case may be. Provided that the requirement specified herein shall not be applicable to:

- i. the whole-time director, managing director, manager, independent director or a director retiring in accordance with the Act, if the approval of the shareholders for the reappointment or continuation of the aforesaid directors or manager is otherwise provided for by the provisions of the SEBI Listing Regulations or the Act, and has been complied with;
- ii. the director appointed pursuant to the order of a court or a tribunal;
- iii. a nominee director of the government on the Board;
- iv. a nominee director of a financial sector regulator on the Board;
- v. a director nominated by a financial institution registered with or regulated by the Reserve Bank of India under a lending arrangement in its normal course of business or nominated by a debenture trustee registered with the Securities and Exchange Board of India under a subscription agreement for the debentures issued by the Company.

## **Evaluation**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management at regular interval (annually).

## **Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable law, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the Act and the rules made thereunder.

## **Retirement**

The Director, KMP and Senior Management 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 Director, KMP, Senior Management in the same position remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

## **Vacancy in the office of the Chief Executive Officer, Managing Director, Whole Time Director or Manager**

Any vacancy in the office of chief executive officer, managing director, whole time director or manager shall be filled by the Company at the earliest and in any case not later than three months from the date of such vacancy. Provided that the Company shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the law applicable in case of a fresh appointment to such office and the obligations under such applicable laws are made applicable to such person.

## **Vacancy in the office of a Director**

Any vacancy in the office of a Director shall be filled by the Company at the earliest and in any case not later than three months from the date such vacancy. Provided that if the Company becomes non-compliant with the requirement under the SEBI Listing Regulations, due to expiration of the term of office of any Director, the resulting vacancy shall be filled by the Company not later than the date such office is vacated. Provided further that this shall not apply if the composition of the Board is compliant with the requirements of the SEBI Listing Regulations without filling the vacancy.

## **Vacancy in the Office of the Chief Financial Officer**

Any vacancy in the office of the chief financial officer shall be filled by the Company at the earliest and in any case not later than three months from the date of such vacancy. Provided that the Company shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.

## **Vacancy in the office of a Compliance Officer**

Any vacancy in the office of the compliance officer shall be filled by the Company at the earliest and in any case not later than three months from the date of such vacancy. Provided that the Company shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the law applicable in case of a fresh appointment to the office of the compliance officer and the obligations under such applicable laws are made applicable to such person.

## **Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel**

### **General:**

1. The remuneration, compensation, commission etc. to the whole time director, KMP and Senior Management will be determined by the Committee and recommended to the Board for approval. The remuneration, compensation, commission etc. shall be subject to the prior or post approval of the shareholders of the Company in accordance with applicable law.

2. The remuneration and commission, including any increments, to be paid to the whole time directors, managing directors, Key Managerial Personnel and Senior Management shall be in accordance with the percentage, slabs, conditions laid down in the Act and/or SEBI Listing Regulations.
3. Where any insurance is taken by the Company on behalf of its managing director, whole time director, manager, 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 Whole-time, Executive, Managing Director, KMP and Senior Management Personnel:**

Fixed pay:

The whole time director, managing director, KMP and Senior Management shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakdown of the pay scale and quantum of perquisites including, employer's contribution to the provident fund, pension scheme etc., as applicable, shall be decided and approved by the Board or the person's authorized by the Board on the recommendation of the Committee and approved by the shareholders, wherever required.

Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its whole time director, managing director, manager, as applicable, in accordance with the provisions of Schedule V of the Act.

**Remuneration to Non- Executive, Independent Directors:**

Commission:

Commission may be paid on profits within the monetary limit approved by the shareholders, subject to the limit prescribed and computed as per the applicable provisions of the Act and/or SEBI Listing Regulations.

Sitting Fees:

The non-executive and/or independent directors may receive remuneration by way of fees for attending the meetings of Board or committee thereof. Provided that the amount of such fees shall not such amount as may be prescribed by the Central Government from time to time. Provided further that for independent directors and women directors, the sitting fee shall not be less than the sitting fee payable to other directors.

Stock Options:

An independent director shall not be entitled to any stock option of the Company.

Reimbursement of expenses:

An independent director may receive reimbursement of expenses for participation in the Board and other meetings of the Company.

**Policy relating to remuneration and loans and advances to employees of the Company**

1. Employees to be assigned grades according to their qualifications, work experience, competencies and their roles and responsibilities in the organization. Individual remuneration shall be determined within the appropriate grade and based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs, as per the prevailing policy of the Company.
2. Loans and advances to the employees shall be granted in accordance with their conditions of service and shall be as per the prevailing policy of the Company.

**5. CHAIRPERSON**

The members of the Committee present at the meeting shall choose one amongst them to act as chairperson, who shall be an independent director.

The chairperson of the Company may be appointed as a member of the Committee but shall not chair the Committee.

The chairperson of the Committee meeting or, in his absence, any other member of the Committee authorized by him in this behalf shall attend the general meetings of the Company.

#### **6. FREQUENCY OF MEETINGS**

The meeting of the Committee shall be held at such regular intervals as may be required and/or as per the applicable provisions of the Act and/or SEBI Listing Regulations.

#### **7. COMMITTEE MEMBERS' INTERESTS**

A member of the Committee shall not be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

#### **8. VOTING**

Matters arising for determination at Committee meetings shall be decided by a majority of votes of members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

In the case of equality of votes, the chairperson of the meeting will have a casting vote.

#### **9. MINUTES OF COMMITTEE MEETING**

Proceedings of all meetings must be minuted, tabled at the subsequent Board and Committee meeting and shall be signed by the Chairman of the Committee within 30 days from the date of conclusion of such meeting.