



# **AZAD ENGINEERING LIMITED**

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## **NOMINATION AND REMUNERATION POLICY**

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## Table of Content

1. Preamble
2. Objective of the Policy
3. Applicability
4. Definitions
5. Composition, Quorum and Meetings of Committee
6. Role of Committee
7. Appointment and Removal
8. Remuneration
9. Evaluation of Performance of Directors
10. Administrator
11. Board Diversity
12. Conflict
13. Amendment
14. Version History



## **1. Preamble**

Azad Engineering Limited (“Company”) has formulated this Nomination and Remuneration Policy (“Policy”) to provide a framework for the nomination and remuneration of members of the board of directors (the “Board”) of the Company, Key managerial personnel, Senior Management and other employees of the Company.

This Policy is guided by the principles and objectives as enumerated in Section 178 (3) of the Companies Act, 2013 and the rules made thereunder, each as amended (the “Act”) and Regulation 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“SEBI Listing Regulations”), to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company.

## **2. Objective of the Policy**

The objective of the policy is

- a) To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a director (Whole-time/non-executive/independent) of the Company (“Director”).
- b) To recommend policy related appointment and removal of Directors, KMP and Senior Management.
- c) To establish and review succession plans of the Board of Directors of the Company (“Board”).
- d) To recommend policy relating to the remuneration of the Directors, KMP and Senior Management/other employees to the Board.
- e) To ensure efficient administration of the equity-based schemes, leadership development and Board Diversity of the Company.
- f) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.

## **3. Applicability**

This Policy shall be applicable to all members of the Board of Directors of the Company (“Directors”), Senior Management Persons (“SMP”) and other employees of the Company.



Any deviation from the policy can be undertaken only with the approval of the Board of Directors, subject to the prior/post approval of the shareholders of the Company and the Central Government, wherever required.

#### 4. Definitions

- a) “**Applicable Laws**” mean the SEBI Listing Regulations and Act, as amended along with the rules framed thereunder.
- b) “**Board**” means the Board of Directors of the Company, as constituted from time to time.
- c) “**Act**” means the Companies Act, 2013.
- d) “**Committee**” or “**NRC**” shall mean Nomination and Remuneration Committee.
- e) “**Directors**” mean members of the Board of Directors of the Company as appointed from time to time.
- f) “**Key Managerial Personnel**” means key managerial personnel as defined in sub-section (51) of section 2 of ACT.
- g) “**Officer**” includes any Director, manager or Key Managerial Personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act.
- h) “**Policy**” shall mean this Nomination and Remuneration Committee Policy.
- i) “**Senior Management Person**” shall mean the officers and personnel of the Company who are members of its core management team, excluding the Board of Directors, and any other officer as determined by the NRC and the Board from time to time and shall specifically include the functional heads, by whatever name called and Chief Financial Officer and Company Secretary.

#### 5. Composition, Quorum and Meetings of Committee

- a) The NRC shall comprise of at least three Directors; all members of the NRC shall be non-executive directors; and at least two-third of the members shall be Independent Directors



- b) The Chairperson of the NRC shall be an Independent Director, provided that the Chairperson, whether executive or non-executive, may be appointed as a member of the NRC and shall not chair such Committee.
- c) The quorum for a meeting of the NRC shall be either two members or one third of the members of the NRC, whichever is greater, including at least one independent director in attendance.
- d) The Chairperson of the NRC shall be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.
- e) The NRC shall meet at least once a year. Matters arising for determination of the NRC meetings shall be decided by simple majority of votes of members present and voting and any such decision shall for all purposes deemed a decision of the NRC.
- f) The Company Secretary of the Company shall act as the Secretary to NRC.

## **6. Role of the Committee**

- a) Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to, the remuneration of the directors, key managerial personnel, senior management and other employees.

The NRC, while formulating the above policy, should ensure that:

- the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully
  - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - remuneration to directors, key managerial personnel and senior management involves balance between fixed and incentive pay reflecting short-term and long-term performance objectives appropriate to the working of the Company and its goals
- b) Formulating criteria for evaluation of performance of independent directors and the Board of Directors.



- c) 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 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:
- use the services of an external agency, if required;
  - consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - consider the time commitments of the candidates
- d) Devising a policy on diversity of Board.
- e) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal and shall specify the manner for effective evaluation of performance of the Board.
- f) Extending or continuing the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- g) Recommending to the Board, all remuneration, in whatever form, payable to senior management;
- h) Carrying out any other function as may be required/ mandated by the Board from time to time and/ or mandated as per the provisions of the SEBI Listing Regulations, Companies Act, 2013 and/or any other applicable laws,
- i) Framing suitable policies and systems to ensure that there is no violation, by an employee or any applicable laws in India or overseas; and
- j) To do all acts, deeds and things as may be empowered or allowed under the Act, as amended from time to time, and rules made thereunder



## 7. Appointment and Removal

### a) Directors

- The NRC shall evaluate the candidates for appointment and recommend to the Board based on current requirement, fitment, diversity, professional qualification, expertise and experience of the person in the relevant areas of business, availability of candidate, personal traits as integrity, honesty and transparency, and such other additional criteria as may be determined from time to time.
- In addition to the above specifications, NRC shall ensure that the candidate possesses the requisite qualifications and attributes as per the applicable laws.
- The removal of Directors may be warranted due to reasons such as disqualification prescribed under the applicable laws and / or disciplinary reasons. In such situation, the NRC shall in consultation with the Board, review the performance and/or other factors and subject to the provisions of the applicable laws and the Articles of Association of the Company, recommend to the Board its course of action.
- The resultant vacancy caused by removal of Directors may be filled by the NRC in accordance with this policy and the applicable laws.
- Further, 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 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 NRC may:
  - Use the services of an external agencies, if required
  - consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - consider the time commitments of the candidates

### b) Senior Management Personnel and Key Managerial Personnel ("SMP") / ("KMP")

The MD/ WTDs / CEO in consultation with the human resource team of the Company shall be responsible and authorised to decide the requirement, desirable skills and



experience for Officers. The MD/ WTDs/ CEO shall ensure that the candidates possess the requisite qualifications and attributes as per the applicable laws.

Based on the recommendation, the NRC shall consider and make a recommendation to the Board for appointment of Officers. The appointment of Officers shall be subject to compliance with applicable laws and Articles of Association of the Company.

## **8. Remuneration**

The NRC shall recommend the remuneration of the directors which shall be approved by the Board. Such remuneration shall be subject to the approval of the shareholders of the Company and/or Central Government, wherever required, under the applicable laws and the Articles of Association of the Company.

### **a) Managing Director (MD), Whole-Time Director (WTD), Chief Executive Officer (CEO)**

The remuneration (including revisions thereof) of MD/ WTD/ CEO shall comprise a mix of fixed remuneration and variable remuneration in the form of performance incentives. The performance incentives shall be based on the prevailing practice and policy of the Company. Additionally, the MD / WTD / CEO may be entitled to employee stock options granted under any employee stock option plan/scheme(s) and such other long term incentive schemes of the Company, subject to provision of the applicable Act and SEBI SEBI Listing Regulations.

In case of inadequate profits, the remuneration payable to the MD / WTD shall be payable as per the provision of the Act and SEBI Listing Regulations with the necessary approvals as prescribed.

### **b) Non-Executive Directors including Independent Directors (“NED”)**

The remuneration (including revisions thereof) payable to the NED shall be in accordance with and subject to the ceiling limits and other conditions prescribed under the applicable laws; the Articles of Association of the Company and the approval of the shareholders of the Company.

The NRC shall determine the remuneration to NED including the mode, quantum, recipients of the remuneration and the frequency of payment of such remuneration and recommend the same to the Board for approval.



The remuneration of NED shall comprise the following:

- Remuneration/ Commission; and/or
- Sitting fees, if any, for attending each meeting of the Board and its Committees

The remuneration of NED (including revisions thereof) shall be based on certain financial parameters like the performance of the Company, its market capitalization, industry benchmarks, role of the Director as well as the industry experience, qualification and other attributes of the directors as well.

The Independent Director shall not be entitled to the stock option or stock appreciation rights of the Company.

In case of inadequate profits, the remuneration payable to the MD / WTD and other directors shall be payable as per the provision of the Act and SEBI Listing Regulations with the necessary approvals as prescribed.

**c) Senior Management Persons / Key Management Personnel (“SMP” / “KMP”)**

The SMP’s shall be paid remuneration as per the Company’s HR and compensation policies. The break-up of the pay scale and other components shall be governed by Human Resource policies of the Company.

**9. Evaluation of Performance of Directors**

The NRC shall specify the manner and criteria for effective evaluation of performance of the Board, its committees and individual directors including independent directors and support the Board and independent directors, as may be required, in the evaluation process. The NRC shall also review its implementation and compliance. The Board shall monitor and review the Board’s evaluation framework.

The NRC shall recommend to the Board whether to extend or continue the term of appointment of the independent director, inter alia, on the basis of the report of performance evaluation of independent Directors.

**10. Administrator**

NRC shall act as Administrator of the existing (and future, if any) stock options schemes of the Company.



The role of Administrator shall be as defined under the stock options plans of the Company

## 11. Board Diversity

The NRC shall ensure that no person is discriminated against on grounds of gender, age, sexual orientation, marital status, pregnancy, any medical conditions, national origin or ancestry religion, race or any other personal or physical attribute which does not determine the ability of any person for the role for they are being considered.

The NRC shall review and evaluate Board composition to ensure that the Board and its Committees have the appropriate mix of skills, experience, independence and knowledge to ensure their continued effectiveness.

## 12. Conflict

A member of the NRC is not entitled to participate or vote in discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated. The NRC may invite such executives, as it considers appropriate, to be present at the meetings of the NRC.

## 13. Amendment

Any change in the Policy shall be approved by the Board. The Board 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. Any subsequent amendment/modification in the Act or the rules framed thereunder and the SEBI Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

## 14. Version History

Name of the Document	Nomination and Remuneration Policy
Version	1
Approved by	Board of Directors
Last Amended Date	-----
Date of Approval from Approving Authority	13.02.2026
Effective Date of Policy	13.02.2026

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