

SCHAEFFLER INDIA LIMITED

Nomination and Remuneration Policy



Version 4 Effective from April 1, 2019
Amended w.e.f July 26, 2023
Approved in the Board Meeting dated July 26, 2023

1. Introduction

In terms of provisions of section 178 of the Companies Act, 2013 ('Act'), rules made thereunder and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (hereinafter may be referred as 'Listing Regulations') (as amended from time to time), this 'Policy on Nomination and Remuneration' of Schaeffler India Ltd. has been formulated.

At Schaeffler India Ltd., we consider human resources as one of our key invaluable asset and strive to reach goals of organizational excellence by nurturing and leveraging vast potential of our employees. We believe that organisational development and employee development are inseparably linked. Our objective is to align and harmonise employee development and employee aspirations with the organisational goals, values and strategies.

As a further step in the above direction, this Policy sets guidelines on qualification, positive attributes, appointment, removal, performance evaluation and remuneration of Directors, Key Management Personnel and Senior Management of the Company.

2. Definitions

- a) **"Company"** means Schaeffler India Limited.
- b) **"Director"** means a person appointed as such and who is a member of 'the Board of Directors' of the Company.
- c) **"Key Managerial Personnel [KMP]"** in relation to the Company means, Company's employee designated as:-
 - i. the Managing Director,
 - ii. the Chief Executive Officer
 - iii. the Company Secretary ,
 - iv. the Whole-time Director
 - v. the Chief Financial Officer and
 - vi. such other officer as may be prescribed.
- d) **"Nomination & Remuneration Committee [NRC]"** means the Committee constituted / re-constituted by the Board of Directors of the Company in accordance with Section 178 of the Companies Act, 2013 and read with Regulation 19 of the Listing Regulations (as amended from time to time).
- e) **"Senior Management"** shall mean members of the Executive Leadership Team of the Company and shall include the Chief Financial Officer and the Company Secretary of the Company, if not forming part of the Executive Leadership Team.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 and Listing Regulations (as amended from time to time) shall have the meaning respectively assigned to them therein.

3. Objectives and purpose of this Policy

The key objectives of the Policy are;

- 3.1 To formulate criteria and advise the Board in matters of determining qualifications, competencies, positive attributes and independence of Directors, and policies relating to their appointment and removal,
- 3.2 To review corporate goals and objectives, to set norms of performance evaluation and to lay out remuneration principles for Directors, KMP and Senior Management linked to their effort, performance and contribution towards achievement of organizational goals,
- 3.3 To evaluate performance and give recommendations to the Board on succession planning and remuneration payable to the Directors, KMP, Senior Management, and critical direct reportees to Senior Management as may be determined from time to time,
- 3.4 To review and recommend to the Board measures to retain and motivate talent including KMP and Senior Management Personnel with a view to ensuring long term sustainability and competitiveness of the organization.

In addition to above, the NRC may take up any other matters related to talent management in general upon the advice of the Board.

4. Guiding Principles:

While formulating and implementing this Policy, the NRC will continue to ensure that;

- 4.1 The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and Senior Management Personnel considering the need for long term success of the Company,
- 4.2 Relationship of remuneration to performance is clear and meets appropriate performance benchmarks, and

4.3 Remuneration to directors, KMP and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

5. The Scope of Nomination and Remuneration Committee and Key Matters to be dealt with and recommended to the Board

The matters to be dealt with and recommended by the NRC to the Board, are as under;

5.1 Size and composition of the Board

Periodically reviewing and recommending to the Board on the size and composition of the Board to ensure that in addition to meeting statutory criteria, the Board is well structured to make appropriate decisions and benefits from a variety of perspectives and skills, in the best interests of the Company as a whole.

5.2 Formulation of Criteria

Formulating criteria to determine qualifications, positive attributes and independence of Directors and recommending candidates to the Board; and when circumstances warrant, the appointment of a new Director, having regard to the range of skills, experience and expertise, on the Board and who will best complement the Board.

5.3 Succession plans

Reviewing from time to time that appropriate succession plans are in place.

5.4 Evaluation of performance

Formulating the criteria for evaluation of Independent Directors and the Board of Directors of the Company.

5.5 Remuneration

Recommending to the Board on remuneration to be paid to Directors, KMP and Senior Management and critical direct reportees to Senior Management, in whatever form.

5.6 Board diversity

Assisting the Board in accordance with the Board Diversity Policy, to ensure the Board nomination process with regard to diversity of gender, thought, experience, knowledge and perspective on the Board.

6. POLICY FOR NOMINATION & APPOINTMENT

6.1 Criteria and qualifications for Appointment

- i. A person to be appointed as Director, KMP or at Senior Management level should possess adequate relevant qualification, expertise and experience for the position he / she is considered for appointment. The NRC will evaluate whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position and the NRC will make appropriate recommendations to the Board of Directors.
- ii. A person, to be appointed as Director, should possess impeccable reputation for integrity, expertise and insight in sectors / areas relevant to the Company, besides ability to contribute to the Company's growth and should possess complementary skills in relation to the other Board members.
- iii. The Company shall not appoint or continue the employment of any person as Managing Director or KMP who incurs disqualification prescribed in any of the laws.
- iv. 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 prior permission of the Board of Directors of the Company and upon fulfilling other requirements as may be necessary under the relevant law.
- v. Appointment / re-appointment of a Director, KMP or Senior Management shall be confirmed through a formal letter stating terms of appointment.
- vi. The NRC will review and identify Directors retiring by rotation and recommend to the Board their re-appointment in line with their performance evaluation, eligibility and merits.
- vii. The Company shall not appoint a person and shall not 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.
- viii. Ensuring that there is an appropriate induction in place for new Directors and

members of Senior Management and reviewing its effectiveness;

6.2 Term / Tenure

i. Managing Director / Whole-time Director(s) (Executive Directors)

The Company shall appoint or re-appoint any person as its Managing Director and/or Whole-time Director(s) (Executive Directors) 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.

ii. 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 on passing of a special resolution by the Shareholders of the Company and disclosure of such appointment in the Board's report.

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, however, 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. However, if a person who has already served as an Independent Director for five years or more in the Company as on April 1, 2014 or such other date as may be determined by the NRC as per regulatory requirement, he / she shall be eligible for appointment for one more term of five years only.

At the time of appointment of an Independent Director and during his/her appointment period with the Company, it should be ensured that number of Boards on which such Independent Director serves - is within the maximum limit prescribed under the prevailing act, rules and regulations.

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

6.3 Removal

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable law, rules and regulations, or service contract, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director or KMP subject to the provisions of the relevant law.

6.4 Retirement

The Managing Director, Whole-time Directors(s), 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 Managing Director, KMP and Senior Management personnel in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

7. POLICY RELATING TO THE REMUNERATION FOR DIRECTORS, KMPs AND OTHER EMPLOYEES

7.1 General

- a) The remuneration to Directors will be recommended by NRC to the Board for approval. The remuneration (including increments) to the Directors, so recommended by NRC to the Board, should be within the limits and conditions prescribed under the Companies Act, 2013, Listing Regulations and other regulations, as applicable and as approved by the shareholders of the Company.

- b) None of the Directors (including Independent Directors) shall be entitled to any stock option of the Company.

7.2 Remuneration to Non-Executive / Independent Director

The remuneration payable to each Non-Executive Director (including Independent Director) will be based on the remuneration structure as determined by the Board and to be revised from time to time, depending upon individual and the Company's performance, under the following categories;

a) 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 the maximum amount per meeting of the Board or Committee as may be prescribed under the law prevailing from time to time.

b) Profit Related Commission

The Profit Related Commission may be paid to the Non-Executive / Independent Director, within the monetary limit recommended by NRC and approved by the Board and the Shareholders, subject to the limit prescribed under the applicable provisions of the Companies Act, 2013 read with the Rules thereunder.

7.3 Remuneration to Managing Director / Whole-time Director(s) (Executive Director(s))

a) Remuneration to the Managing Director / Whole-time Director(s) (Executive Director(s)) shall be in accordance with the provisions of the Companies Act, 2013, read with the Rules made thereunder.

b) The terms of Appointment shall be subject to approval of the Board and shareholders of the Company and as may be defined in the Employment Agreement.

c) The Managing Director / Whole-time Director(s) shall not be entitled to sitting fees for attending the meetings of Board of Directors or Committees thereof.

7.4 Remuneration to KMPs and Senior Management

a) The Company encourages and rewards, merit and superior performance. The objective is to set the total remuneration at levels to attract, motivate, and retain high-calibre, and high potential personnel in a competitive global market.

b) The remuneration and reward structure comprises of two broad components;

i) The fixed component, and

ii) Performance linked variable component which is related partly to organizational/ divisional performance, as applicable, and partly to manager's individual performance during the period under review.

c) The Company's HR function reviews and resets compensation levels annually

based on a comparison with the relevant peer group in India. The NRC will have access to these reports and may review proposals and shall recommend to the Board all remuneration, in whatever form, payable to KMPs and Senior Management from time to time.

8. MEETINGS:

The NRC shall meet at least once in a year. The Company Secretary shall act as the Secretary. The Quorum for the meeting shall be either two members or one third of the members of the committee whichever is greater, including at least one independent director in attendance. The NRC may invite such executives as it considers appropriate, to remain present at the meeting. A member of NRC is not entitled to participate in the meeting when his/her own performance / remuneration is being discussed.

9. POLICY REVIEW/ AMENDMENTS

In case of subsequent changes in the provisions of the Companies Act, 2013 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 the changes in law.

a) Statutory Updates

This Policy shall be considered as updated automatically, without any formal approval, to the extent it needs to be aligned with any change in law. An update thereon would be reported to the NRC and Board of Directors.

b) Other updates

All major procedural updates, shall be effective only, if those are carried out after the review and approval of the Board of Directors through the NRC.

In case of doubt or difficulty in interpretation or implementation of this Policy, the provisions as specified in the Act or Listing Regulations shall prevail.