

LUMAX AUTO TECHNOLOGIES LIMITED

NOMINATION AND REMUNERATION POLICY OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

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1. BACKGROUND

Lumax believes in conducting its affairs in a fair and transparent manner by adopting high standards of professionalism, honesty, integrity, ethical behaviour and complete compliance of laws, as applicable to the Company

2. SCOPE & PURPOSE

The Nomination and Remuneration Policy ("Policy") of Lumax Auto Technologies Limited ("Lumax" or "Company") has been formulated under the requirements of applicable laws viz. Section 178 of Companies Act, 2013 ("Act") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("Listing Regulations"). The Company believes that human resources as an asset are invaluable and play an integral part in the growth and success of the Company. The Company also acknowledges that a Board with diversified expertise and experience, adequate mix of Executive and Independent Directors, provides the desired vision, governance structure and mission to the Company in order to enable it to achieve its goals.

This Policy on the appointment and remuneration of Directors including Independent Directors, Key Managerial Personnel (KMP), Senior Management and other employees provides a referendum based on which the Human Resource Management Team plans and strategies their recruitment plans for the strategic growth of the Company.

The Policy has been formulated by the Nomination and Remuneration Committee and approved by the Board of Directors of the Company.

3. OBJECTIVE

The objectives of this Policy are as follows:

- a) laying down a framework in relation to appointment, remuneration and removal of Directors, KMP and other employees;
- b) creating a transparent system of determining the appropriate level of remuneration throughout all career levels and roles of the Company;
- c) Motivate the directors, Key Managerial personnel and other employees, to perform to their maximum potential;
- d) Ensure consistency in remuneration and benefits throughout the Company;
- e) Align the performance of the business with the performance of key individuals and teams within the Company;
- f) Allow the Company to compete in each relevant employment market;
- g) Development and retaining of talent.

4. CONSTITUTION OF NOMINATION AND REMUNERATION COMMITTEE

In line with the requirements of the Act and Listing Regulations, the Board of Directors has constituted the "Nomination and Remuneration Committee".

The Committee shall at all times (unless stipulated otherwise by law) have at least 3 non- executive directors, out of which two third shall be independent directors. The Chairperson of the nomination and remuneration committee shall be an independent director. If the chairperson of the Company is appointed as a member of the Committee, he shall not chair such Committee. The nomination and remuneration committee shall meet at least once in a year.

The Board has authority to reconstitute this Committee from time to time. Presently, the Nomination and Remuneration Committee comprises of following Members:

S. No.	Name	Category
1	Mr. Arun Kumar Malhotra	Chairman (Non – Executive Independent Director)
2	Mr. Avinash Parkash Gandhi	Member (Non – Executive Independent Director)
3	Mr. Deepak Jain	Member (Non – Executive Non-Independent Director)

5. ROLE OF NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee shall endeavour to perform its role as prescribed u/s 178(4) of the Act and Regulation 19 of Listing Regulations read with Para A of Part D of Schedule II of the Listing Regulations which is summarized hereunder:

- formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- 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.
 - formulation of criteria for evaluation of performance of independent directors and the board of directors;
 - devising a policy on diversity of board of directors;
 - 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.
 - 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.
 - specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

In formulation of the Policy as enumerated above, the Nomination and Remuneration Committee shall ensure to take into account the following principles:

- 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;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks
- remuneration to directors, key managerial personnel and senior management involves a balance between fixed and performance incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

6. APPOINTMENT /NOMINATION OF DIRECTORS

General Criteria

- a) The Board shall comprise of optimum number of Directors as is necessary to effectively manage the affairs of the Company. Subject to a minimum of 3 and maximum of 15, the Board shall have an appropriate combination of Executive, Non-Executive, Independent and Woman Directors.

- b) The Nomination and Remuneration Committee shall be responsible for identifying suitable candidate for appointment as Director of the Company. While evaluating a person for appointment / re- appointment as Director, the Committee shall consider and evaluate including but not limited to background and qualifications, knowledge, skills, abilities, professional experience and functional expertise, personal accomplishment, age, experience of automobile/auto component industry, marketing, technology, finance and other disciplines relevant to the business etc. and such other factors that the Committee might consider relevant and applicable from time to time towards achieving a diverse Board.
- c) The proposed candidate shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research and development, technical operations, corporate governance or such other areas related to the Company's business as determined by the Nomination and Remuneration Committee. The proposed candidate shall not be discriminated on the basis of race, religion, nationality, sex, disability, or any other basis prohibited by law.
- d) The proposed candidate shall understand and endeavor to balance the interests of shareholders and/ or other stakeholders and put the interests of the company or organization above self-interest. He/she has demonstrated a commitment to transparency and disclosure.

Managing Directors or Whole Time Directors

The Board based on the recommendation of the Nomination and Remuneration Committee shall be responsible for identifying suitable candidate for the position of Managing Director/Whole-time Director. The terms and conditions of the appointment shall be in accordance with the provisions of Act and Listing Regulations.

Independent Directors

Before recommending a nominee's candidature to the Board for being appointed as an Independent Director, the following criteria set out may be applied as guidelines in considering potential nominees to the Board of Directors:

- a) An Individual shall meet all the criteria of Independence as specified under Section 149(6) of Companies Act, 2013 and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- b) is a person of integrity and possesses relevant expertise and experience to be an Independent Director;
- c) who is or was not a promoter of the company or its holding, subsidiary or associate company or member of promoter group of the Company;

- d) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- e) Apart from receiving director sitting fees, individual shall have/had no material any pecuniary relationship with the Company, its holding, subsidiary or associate company, or their promoters, or directors, during the immediately preceding three financial years or during the current financial year;
- f) None of the relatives of Individual:
 - i. is holding securities of or interest in the Company, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or 2% percent of the paid-up capital of the Company, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;
 - ii. is indebted to the Company, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;
 - iii. has given a guarantee or provided any security in connection with the indebtedness of any third person to the Company, its holding, subsidiary or associate company or their promoters or directors, during the three immediately preceding financial years or during the current financial year; or
 - iv. has any other pecuniary transaction or relationship with the Company, its holding, subsidiary or associate company amounting to 2% or more of its gross turnover or total income:
- g) Further the individual shall affirm that the pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters, or directors in relation to points (a) to (d) above does not exceed 2% of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.
- h) Neither individual nor any of the relatives:
 - i. hold or held the position of a Key Managerial Personnel or is or has been employee of the Company or its holding, subsidiary or associate company or any company belonging to the promoter group of the Company, in any of the three financial years immediately preceding financial year;
 - ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding financial year of;

- a firm of auditors or company secretaries in practice or cost auditors the Company or its holding, subsidiary or associate company; **or**
 - any legal or a consulting firm that has or had any transaction with the Company, its holding, subsidiary or associate company amounting to 10% or more of the gross turnover of such firm;
- iii. holds together with the relatives 2% or more of the total voting power of the Company **or**
- iv. is a chief executive or director, by whatever name called, of any non-profit organization that receives 25% more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the listed entity; **or**
- v. is a material supplier, service provider or customer or a lessor or lessee of the Company.
- i) Individual is not less than 21 years of age.
- j) Individual is not a non-independent director of another company on the board of which any non-independent director of the Company is an independent director.
- k) Individual name is included in the data bank of Independent Directors maintained by the Indian Institute of Corporate Affairs and I meet all the requisite criteria as specified in rule 6(1) and (2) of the Companies (Appointment and Qualification of Directors) Rules, 2014.
- l) Individual is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact my ability to discharge my duties with an objective independent judgement and without any external influence.
- m) Individual does not hold directorship in more than seven listed entities.
- n) Individual does not hold directorship in more than three listed entities if serving as a whole- time director / managing director in any listed entity.

7. REMUNERATION OF DIRECTORS

The Company shall strive to have a remuneration structure which should be reasonable and sufficient in order to justify the position and responsibility and to retain the Directors. The relationship of remuneration to performance should be clear and should meet appropriate performance benchmarks. The Committee shall be responsible for reviewing and making recommendations to the Board on Remuneration of Executive Directors and Non- Executive/ Independent Directors which shall be done in accordance with applicable law and amendments thereof.

Managing Directors or Whole Time Directors

- a) The Committee shall determine remuneration structure for Managing Directors/ Whole Time Directors taking into account factors it deems relevant, including but not limited to market scenario, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and Government/other guidelines.
- b) The remuneration and commission to be paid to the Managing Director/Whole-time Director shall be in accordance with the provisions of the Companies Act, 2013, and the rules made thereunder.
- c) Any changes to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the Shareholders in the case of Managing Director/ Whole-time Director.
- d) Where any insurance is taken by the Company on behalf of its Directors 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.
- e) If, during any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director/ Executive/ Whole-time Director(s) in accordance with the provisions of Schedule V of the Companies Act, 2013.

Non- Executive Directors/Independent Director:

The Non- Executive Directors or the Independent Directors may receive remuneration by way of:

- Sitting fees for participation in the Board and other meetings
- Commission as approved by the Shareholders of the Company
- Reimbursement of expenses in connection with participation in the Board and other meetings.

The Independent Directors shall not be entitled to any stock options. Based on the recommendation of the Nomination and Remuneration Committee, the Board may decide the sitting fee payable to independent directors. Provided that the amount of such fees shall not exceed the maximum permissible under the Companies Act, 2013.

The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof.

8. APPOINTMENT OF KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL (NOT BEING DIRECTOR)

The Executive Management Team (Key Managerial Personnel and Senior Management Personnel) is responsible for managing the Company's core business operations as a whole and management of day to day affairs of the Company.

Pursuant to the provisions of Section 2(51) of the Act, the Key Managerial Personnel (KMP) with reference to the Company means:

- (i) the Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Whole-Time Director;
- (iii) the Chief Financial Officer;
- (iv) the Company Secretary;
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board and
- (vi) such other officer as may be prescribed.

Pursuant to the provisions of Regulation 16(d) of the Listing Regulations, the Senior Management Personnel with reference to the Company means:

“Officers/personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.”

The nomination and appointment of KMP and Senior Management Personnel (Not being Director) shall be governed in accordance with following guidelines:

- a) The Nomination and Remuneration Committee shall be responsible for identifying suitable candidate for the position of Key Managerial Personnel i.e., Chief Financial Officer, Company Secretary, and other Senior Management Personnel;
- b) The appointment of Key Managerial Personnel and Senior Management Personnel shall be approved by the Board on recommendation of the Nomination and Remuneration Committee;

- c) While evaluating a person for appointment / re-appointment in a senior management position, the management shall considers various factors including individual's background, core competencies, skills, attributes, personal traits (viz. leadership, ability to exercise sound judgement), educational and professional background, personal accomplishment, age, relevant experience and understanding of related field viz. marketing technology, finance or such other discipline relevant to present and prospective operations of the Company;
- d) The KMP or Senior Management Personnel on its appointment shall not hold office or place of office in addition to the Company and shall not engage in business activity which might detrimentally conflict with the interest of the Company.

9. REMUNERATION OF KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL (NOT BEING DIRECTOR)

The remuneration of Key Managerial Personnel and Senior Management Personnel (Not being Director), at the time of appointment shall be decided by the Committee and recommended to the Board.

The remuneration of Key Managerial Personnel, Senior Management Personnel of the Company (not being director) shall comprise of one or more of the following components which shall be decided by Company's Human Resources Department:

1. Fixed Pay
2. House Rent Allowance
3. Perquisites and Allowances
4. Re-imburement Medical Expenses
5. Contribution to P.F.
6. Such other allowances, benefits and perquisites as may be decided.

The KMP and Senior Management Employees shall be assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the Company. Thereafter, the remuneration shall be determined within the appropriate grade and is based on an individual's experience, skill, competencies and knowledge relevant to the job and an individual's performance and potential contribution to the Company.

The decision on revision in remuneration and annual increments on remuneration of KMP and Senior Management Personnel shall be decided by the Chief Executive Officer in consultation with Human Resources Department within the overall framework of compensation and appraisal policy of the Company.

10. APPOINTMENT AND REMUNERATION OF OTHER EMPLOYEES

The appointment of other employees shall be made on the basis of the experience, qualification, expertise of the individual as well as the roles and responsibilities required for the position and shall be approved by the Human Resource Department.

The remuneration for other employees would be as per the appraisal and compensation policy of the Company, as revised through the annual review process from time to time and approved by the Chief Executive Officer in consultation with the Head of Human Resources Department.

11. TERM/TENURE

a) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive/ Whole Time Director for a term not exceeding five years at a time. No reappointment shall be made earlier than one year before the expiry of term.

b) Independent Director:

An Independent Director shall be appointed subject to the approval of Shareholders by way of a special resolution and 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 shall be given in the Board Report. The re-appointment / extension of term of the Director shall be on the basis of their performance evaluation.

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

12. EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS

Section 178(2) of the Act casts upon the Nomination and Remuneration Committee, the responsibility to specify the manner for effective evaluation of Performance of Board, its committees and Individual Directors. This evaluation process aims to ensure that individual Directors and the Board of Directors of the Company as a whole work efficiently and effectively towards achieving Company's objectives. This evaluation forms part of this Policy and aims at establishing a procedure for the Board to conduct periodic evaluation of Members and of its committees. In deciding the methodology to be adopted for performance evaluation the Committee/Board may resort to below mentioned procedures:

Internal Evaluation:

In case of internal evaluation, the Committee is responsible for managing both the process as well as the content. The performance may generally be evaluated by a standard questionnaire. The specific issues and questions that should be considered in a performance evaluation of the entire Board, Independent Directors, Non-Independent Directors, Committees can be determined by the Committee from time to time.

External Evaluation:

External evaluation may be externally facilitated. Externally facilitated evaluations are undertaken with the assistance of an external expert. However, the company is not adopting this method at this initial stage of implementation.

13. FREQUENCY OF BOARD EVALUATION

Section 134(3)(p) of the Act provides that there has to be a formal annual evaluation of Board of its own performance and that of its committees and individual directors. The Company may undertake annual evaluation either in accordance with calendar year or financial year, as there is no clarity on this. Ideally, the same should be as per financial year.

14. CLARIFICATION

In case of any clarification, any person may contact the Compliance Officer & the Company Secretary at the Corporate Office.

15. GENERAL**a) Review**

The Nomination & Remuneration Committee shall monitor and periodically review the Policy and recommend the necessary changes to the Board for its approval. The Head of Human resources Department and the Company Secretary are jointly authorized to amend the policy to give effect to any changes/amendments notified by Ministry of Corporate Affairs or the Securities and Exchange Board of India. The amended policy shall be placed before the Board for noting and ratification. The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

b) Disclosure of the Policy

This policy will be uploaded on the Company's website. The policy/main features of the Policy shall also be disclosed in Board Report, Annual Report and such other place as required by the Act and Rules framed thereunder and the Listing Regulations.

c) Amendment

This policy document has been last amended/modified by the Board of Directors in its meeting held July 22, 2024.
