

**NOMINATION AND REMUNERATION POLICY**  
**OF**  
**AVAADA ELECTRO LIMITED**

## TABLE OF CONTENTS

<b>1. DEFINITIONS AND INTERPRETATION .....</b>	<b>3</b>
<b>2. BACKGROUND .....</b>	<b>4</b>
<b>3. OBJECTIVES.....</b>	<b>4</b>
<b>4. CONSTITUTION AND OF THE COMMITTEE .....</b>	<b>5</b>
<b>5. GENERAL .....</b>	<b>6</b>
I. PART – A.....	6
II. PART – B.....	7
III. PART – C.....	11
<b>6. REFERENCES .....</b>	<b>ERROR! BOOKMARK NOT DEFINED.</b>
<b>7. AMENDMENT AND REVIEW.....</b>	<b>14</b>

## 1. DEFINITIONS AND INTERPRETATION

### Definitions

**“Act”** or **“Companies Act”** shall mean the Companies Act, 2013, and rules and regulations issued thereunder, as amended from time to time.

**“Board”** or **“Board of Directors”** shall mean the board of directors of the Company.

**“Committee”** shall mean the Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act and applicable Listing Regulations.

**“Company”** shall mean Avaada Electro Limited

**“Directors”** shall mean, collectively, the directors of the Company.

**“Directors and Employees”** shall mean, collectively, the Directors, KMPs, and Senior Management of the Company (as defined herein), to whom this Policy applies.

**“Independent Director”** means a Director as specified in section 149(6) of the Companies Act, 2013 and Regulation 16(b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**“Key Managerial Personnel”** means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013.

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

**“Remuneration”** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961;

**“Senior Management”** shall mean the officers and personnel of the Company 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 persons identified and designated as key managerial personnel, other than the board of directors, by the Company.

**“Policy”** shall mean this nomination and remuneration policy.

### Interpretation

All other words and expressions used but not defined in this Policy but defined in the Act and/or the rules and regulations made thereunder, and the SEBI Listing Regulations shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

## **2. BACKGROUND**

Nomination and Remuneration Policy ("Policy") in compliance with Section 178 of the Companies Act, 2013 ("Act") read along with the applicable rules thereto and Regulation 19 and other applicable regulations of Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, ("Listing Regulations") as amended from time to time this policy on Nomination and Remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee ("NRC" or "the Committee") and has been approved by the Board of Directors.

This Policy has been established to provide a transparent framework for the selection, appointment, and remuneration of the Directors and Employees. By setting out clear principles and procedures, the Policy aims to assist in the recruitment of capable, experienced, and effective leadership while ensuring fair and competitive compensation practices.

The Policy serves as a guiding tool to ensure a fair, consistent, and performance-driven methodology for the nomination, selection, and remuneration of individuals, in alignment with the Company's overall vision, values, and strategic objectives. It also supports the Board's responsibility to create a robust governance structure, promote meritocracy, and uphold the highest levels of integrity and professional conduct.

## **3. OBJECTIVES**

The objective of the policy is to ensure that:

- a. 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;
- b. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- c. Remuneration to Directors, Key Managerial Personnel 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 goal.

## **4. Role of the Nomination and Remuneration Committee:**

1. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Directors, Key Managerial Personnel and Senior Management Personnel.
2. To identify and recruit suitably qualified individuals with the requisite range of skills, expertise, and experience needed to drive the Company's success, while offering competitive remuneration packages that motivate and retain top talent.

For the purpose of identifying suitable candidates, the Committee may:

1. use the services of an external agency, if required;
2. consider candidates from a wide range of backgrounds, having due regard for diversity; and
3. consider the time commitments of the candidates.

3. To formulate criteria for evaluation of Independent Directors and the Board.
4. To identify people who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this policy.
5. To carry out evaluation of Director's performance.
6. To consider and recommend to the Board whether to continue or extend the term of appointment of an Independent Director, based on the outcome of the performance evaluation report of such director.
7. To recommend to the Board the appointment and removal of Directors and Senior Management.
8. To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
9. To devise a policy on Board diversity, composition and size
10. Succession planning for replacing Key Executives and overseeing.
11. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
12. To recommend to the board, all remuneration, in whatever form, payable to senior management.
13. To ensure that the interests of Board members & Executives are aligned with the business strategy and risk tolerance, objectives, values and long-term interests of the company and will be consistent with the "pay-for-performance" principle.
14. To perform such other functions as may be necessary or appropriate for the performance of its duties.

## 5. CONSTITUTION OF THE COMMITTEE

Pursuant to the provisions of Section 178 and other applicable provisions, if any, of the Companies Act, 2013 including the rules framed thereunder and Regulation 19 of the SEBI Listing Regulations, the Nomination and Remuneration Committee ("**Committee**") of the Company will be constituted as hereunder

- The Board shall determine membership of the Committee
- The Committee shall comprise of at least three members, all of whom shall be non-executive Directors, and at least fifty percent of whom shall be independent Directors.
- At least two-thirds of the Directors part of the Committee shall be Independent Directors and in case the Company having outstanding SR equity shares, two thirds of the Committee shall comprise of Independent Directors.

- 4.2 The Chairperson of the Committee shall be an Independent Director, provided that the Chairperson of the Company shall not be the Chairperson of the Committee.
- 4.3 The quorum of the Committee shall be at least two members, or one-third of the total members of the Committee, whichever is higher, including at least one Independent Director.
- 4.4 The Committee shall meet at least once in a financial year.
- 4.5 The Board shall have the authority to reconstitute this Committee from time to time.

## 6. GENERAL

This Policy covers the following: -

- **Part – A** covers the matters to be dealt with by the Committee and recommendations by the Committee to the Board.
- **Part – B** covers the appointment and removal of Director, Key Managerial Personnel and Senior Management; and
- **Part – C** covers the policy relating to the remuneration for Directors, KMP and Senior Management

### I. PART – A

#### **MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE COMMITTEE`**

The following matters shall be dealt with by the Committee: -

(a) **Identification and recommendation of candidates for appointments as Director, Key Managerial Personnel and Senior Management :**

The Committee shall identify people who are qualified to become Directors, KMP and who may be appointed in Senior Management in accordance with the criteria laid down in this Policy and recommend to the Board their appointment and removal..

(b) **Size and composition of the Board:**

Periodically reviewing the size and composition of the Board to (i) have an appropriate mix of executive, non-executive and independent directors to maintain its independence and separate its functions of governance and management and (ii) ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company;

The Committee shall also assist the Board in ensuring that the Board nomination process is in line with the diversity policy of the Board.

(c) **Formulation of criteria and recommendation of Policy:**

Formulating the criteria determining qualifications, positive attributes and independence of a director and recommending to the Board a policy relating to the remuneration for the Directors and Employees.

For every appointment of an Independent Director, the Committee shall evaluate the balance of skills, knowledge and experience on the Board and based on 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 identifying suitable candidates, the Committee may:

- use the services of external agencies, if required; and
- consider candidates from a wide range of backgrounds, having due regard to diversity; and consider the time commitments of the candidates.

(d) **Succession plans and Evaluation of performance of the Board:**

The Committee shall oversee succession planning for Board, KMP and Senior Management, ensuring leadership continuity. The Committee shall also ensure annual evaluation of the Board, its committees and individual directors as per SEBI LODR Reg. 17(10)].

(e) **Remuneration framework and policies:**

The Committee shall be responsible for reviewing and making recommendations to the Board regarding:

- a. remuneration of whole-time Directors to be presented for shareholders' approval including severance, if any.
- b. individual and total remuneration of non-executive Directors and the Chairperson of the Board (if non-executive), including any additional fees payable for membership of the committees of the Board;
- c. remuneration and remuneration policies for the Key Managerial Personnel and the Senior Management including base pay, incentive payments, equity awards, retirement rights, severance pay, if any, and service contracts having regard to the need to:
  - (i) attract and motivate talent to pursue the Company's long term growth;
  - (ii) demonstrate a clear relationship between executive compensation and performance;
  - (iii) be reasonable and fair, having regard to best governance practices and legal requirements and
  - (iv) balance between fixed and incentive pay reflecting short and long-term performance objectives, as appropriate for the Company and its goals.
- d. the Company's incentive compensation and equity-based plans including a consideration of performance thresholds and regulatory and market requirements;

## **POLICY FOR APPOINTMENTS AND REMOVAL OF DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

- a. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel or at Senior Management level and recommend his/her appointment, as per Company's Policy. The objective is to have a Board with diverse background and experience in business, government, academics, technology and in areas that are relevant for the Company's operations.
- b. A person should possess adequate qualification, expertise and experience for the position he/she is considered for appointment. The Committee has authority to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the position.
- c. The Committee shall verify whether the candidate being assessed for holding the position of a Director has been allotted a Director Identification Number (DIN) and whether the candidate has submitted e-form DIR-3-KYC to the Central Government within stipulated timelines.
- d. The Committee shall review whether the candidate possesses more than one DIN and, in such cases, require the candidate to surrender the additional DIN.
- e. The Committee shall verify the maximum number of directorships, including any alternate directorships held by the candidate as per the provisions of Companies Act, 2013 and continue to verify this even after appointment as a Director.

Further:

- A person shall not serve as an independent director in more than 7 (seven) listed entities.
  - Any person who is serving as a whole-time director/managing director in any listed entity shall serve as an independent director in not more than 3 (three) listed entities.
  - For determining the number of listed entities on which a person is a director/independent director, the Committee shall consider only those whose equity shares are listed on a stock exchange.
- f. No person shall be appointed or continue as an alternate director for an independent director of a Company.
  - g. The Company shall not appoint or continue the employment of any person as Managing Director, Whole-time Director or Manager who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution.
  - h. While filling up the positions for Managing Director, Whole Time Directors or Independent Directors, the specific qualifications as prescribed under Companies Act, 2013 along with Listing Regulations shall be taken into account.
  - i. The Committee shall not appoint any person or continue the directorship of any person as a



non-executive director who has attained the age of 75 (seventy-five) years unless a special resolution of Members 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.

- j. Appointment of Independent Directors is also subject to compliance of provisions of section 149 of the Companies Act, 2013, read with Schedule IV and rules thereunder or any other applicable provisions of the Companies Act, 2013 and the Listing Regulations.
- k. The Committee shall lay down a chart/matrix listing the core skills/expertise/competencies of Board Members as required in the context of the Company's business(es) and sector(s) for the Board to function effectively and those actually available with the Board and where there are gaps to ensure these are filled in the next round of appointments. Further, the Committee shall identify and maintain the names of Directors who possess the prescribed skills/expertise/competence.

**a. Term /Tenure**

**Managing Director/Whole-time Director:**

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive 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.

**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 Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms of up to a maximum of 5 years each, 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.

At the time of appointment of Independent Director, it should be ensured that number of Boards 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.

The maximum tenure of Independent Directors shall also be in accordance with the Companies Act, 2013 & Listing Regulations and clarifications/ circulars issued by the Ministry of Corporate Affairs/ SEBI, in this regard, from time to time.

The Committee shall review whether to extend or continue the term of appointment of the Independent Directors (IDs), on the basis of the report of performance evaluation of IDs.

**b. Evaluation\_**

The Committee shall carry out an evaluation of the performance of Director and Key Managerial Personnel yearly or at such intervals as may be considered necessary. The Committee shall identify evaluation criteria based on knowledge to perform the role, time and level of participation, performance of duties, level of oversight, professional conduct and independence.

**c. Removal**

The Committee may recommend to the Board, with reasons recorded in writing, removal of a Director, Key Managerial Personnel or member of Senior Management, due to:

- i) such person meeting the criteria for any disqualification mentioned under any applicable law in force at that time; or
- ii) for non-compliance with the criteria mentioned in this Policy, or contravention of the policies of the Company.

**d. Retirement**

The Director, Key Managerial Personnel 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, Key Managerial Personnel, Senior Management in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

**e. Director's and Officer's Insurance**

Where any insurance is taken by the Company on behalf of its Directors, Key Managerial Personnel / Senior Management, 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 unless otherwise specifically provided under the Act.

### **III. PART – C**

#### **POLICY RELATING TO THE REMUNERATION FOR DIRECTORS, KMP AND SENIOR MANAGEMENT**

##### **1. Remuneration to Managing Director /Whole-time Directors:**

- a. The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Directors, etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the Members of the Company.
- b. The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.
- c. The Company shall provide such facilities as may be necessary in relation to performing its office duties and to attend operation and business of the Company. Remuneration paid to the Directors is mentioned in the Annual Report of the Company.
- d. If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managerial Personnel in accordance with the provisions of Schedule V of the Companies Act, 2013.
- e. Increments if declared to the existing remuneration / compensation structure shall be recommended by the Committee to the Board which should be within the limits approved by the Shareholders in the case of Managerial Personnel.
- f. The fees or compensation payable to executive directors who are promoters or members of the promoter group shall be subject to the approval of the shareholders by special resolution in general meetings, if-
  - i. the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the Company, whichever is higher; or
  - ii. where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the Company:

Provided that the approval of the shareholders under this provision shall be valid only till the expiry of the term of such director.

##### **2. Remuneration to Non- Executive /Independent Directors:**

- a. The Non-Executive / Independent Directors may receive sitting fees and such other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- b. All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such

as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.

- c. An Independent Director shall not be eligible to get Stock Options and also shall not be eligible to participate in any share-based payment schemes of the Company.
- d. Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (b) above if the following conditions are satisfied:
  - i. The Services are rendered by such Director in his capacity as the professional; and
  - ii. In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.
- e. Commission may be paid within the monetary limit approved by shareholders, subject to terms of Section 197 read with Section 198 of the Act.
- f. The approval of shareholders by special resolution shall be obtained every financial 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.

### 3. Familiarization program for Independent Directors:

a) The Company shall familiarize the Independent Directors with the company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the company, etc., through various programs.

b) The details of such familiarization programs shall be disclosed on the Company's website, and a web link thereto shall also be given in the Annual Report.

### 4. Remuneration to Key Managerial Personnel and members of the Senior Management

The pay program for Key Managerial Personnel and members of the Senior Management has been designed around three primary pay components: (a) base/fixed pay; (b) performance based variable pay; and (c) stock incentives, as further described below. These three components together constitute the “**Total Rewards**” of the Key Managerial Personnel and members of the Senior Management.

- i) **Base / fixed pay:** This component of the Total Rewards refers to a guaranteed pay and is paid periodically, typically monthly, or as per payroll policy based on the country / region in which such Key Managerial Personnel or member of the Senior Management operates.
- ii) **Performance based variable pay:** This component of the Total Rewards includes a cash bonus, payable on the achievement of certain objectives and milestones, and quantifiable key performance indicators, both in relation to such Key Managerial Personnel or member of the Senior Management and the Company, as established by the Committee.
- iii) **Stock incentives:** This component of the Total Rewards refers to stock or equity-based incentives, which can be either time-based or performance-based equity grants. Time-based stock incentives are vested based on continuation of service. Performance-based stock incentives, in the form of stock options, vest upon the

achievement of certain performance parameters. The stock incentives are governed by the **[Avaada Employee Stock Option Scheme 2025 ]** (as may be amended from time to time) as approved by the shareholders.

The Total Rewards for Key Managerial Personnel and members of Senior Management are designed to ensure their continued alignment with organizational goals. The Committee aims to ensure that the remuneration offered to the Key Managerial Personnel and members of the Senior Management is reflective of market pay, consisting of a mix of base/ fixed pay, performance bonus and stock incentives. The emphasis on stock incentives ensures alignment with shareholders' interests, through a continued focus on the Company's sustainable, long-term performance.

## **5. Remuneration to other employees**

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

## **6. General Pointers on remuneration to Directors, KMP, Senior Management and Employees**

- i) The Committee shall determine whether the remuneration / compensation / commission etc. to be paid to the Directors and hence be recommended to the Board for approval, in accordance with the requirements under applicable law, in force at the time. The remuneration payable to each Director shall be based on the remuneration structure as determined by the Board, and shall be revised from time to time, depending on individual contribution, the Company's performance, and applicable law, in force at the time.
- ii) The Committee shall review and recommend to the Board any increments to the existing remuneration / compensation structure of Directors and Employees, which, in the case of the managing director and the whole-time Directors, should be within the limits approved by the shareholders.
- iii) Where any insurance is taken by the Company on behalf of its Directors and 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 proven guilty, the premium paid on such insurance shall be treated as part of the remuneration.
- iv) Remuneration shall be guided by fairness, transparency, internal parity and external competitiveness.
- v) Remuneration structures may include clawback/malus provisions where required by regulation or best practices

The payment of remuneration to Directors, KMP, Senior Management and Employees, as specified above, is subject to deduction of tax at source, as required by applicable tax laws. In case any tax is deducted at source as per applicable tax law, a certificate as may be prescribed by law will be issued for the amount of tax withheld. The Company shall seek necessary and relevant tax documents as per applicable law in seeking waivers or reducing any applicable withholding taxes.

## **7. AMENDMENT**

The Nomination and Remuneration (NR) Committee and/or the Board shall review this Policy as needed or as required by statutory or regulatory changes. Any amendments to applicable laws, including the Companies Act, 2013 or SEBI Listing Regulations, shall automatically modify the Policy to the extent of such changes. Subject to applicable laws, the Board may amend, suspend or rescind this Policy at any time.

## **8. POLICY REVIEW**

Any issues pertaining to the Policy shall be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy. In the event of any conflict between the provisions of this Policy and any applicable law, such applicable law in force, shall prevail over this Policy.

## **9. IMPLEMENTATION**

- a. The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate.
- b. The Committee may Delegate any of its powers to one or more of its members.

## **10. DISCLOSURE**

The details of this Policy and the evaluation criteria as applicable shall be disclosed in the Annual Report as part of Board's Report therein or alternatively the same may be put up on the Company's website and reference drawn thereto in the Annual Report