

FERRO ALLOYS CORPORATION LIMITED

NOMINATION & REMUNERATION POLICY

Document Name	Nomination & Remuneration Policy
Company	Ferro Alloys Corporation Limited
Version approved by	The Board of Directors of Ferro Alloys Corporation Limited

FERRO ALLOYS CORPORATION LIMITED NOMINATION AND REMUNERATION POLICY

1. Legal framework and Objectives

Section 178 of the Companies Act, 2013 (“Act”) read with the applicable Rules thereto, provisions of (together referred to as “Applicable Laws”) require the Nomination and Remuneration Committee (“NRC” or the “Committee”) of the Board of Directors of every listed company, among other classes of companies, to: remove

1. Identify persons who are qualified to become directors and who may be appointed in a KMP role in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
2. Formulate the criteria for determining qualifications, positive attributes and independence of a director;
3. Devising a policy on diversity of board of directors;
4. Specify the manners and criteria for effective evaluation of the performance of the Board, its committees and individual directors. Basis the performance evaluation results of independent directors, decide whether to extend or continue their appointment or not;
5. Recommend to the Board of directors a policy relating to the remuneration of the directors, and KMP;

This Policy shall act as a guideline on some of the above-mentioned objectives of the NRC.

2. Definitions:

- a) *“Act” means the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.*
- b) *“Applicable Laws” means applicable provisions of the Act.*
- c) *“Board” means the collective body of the directors of the Company.*
- d) *“Committee” means the Nomination & Remuneration Committee.*
- e) *“Company” means Ferro Alloys Corporation Limited.*
- f) *“Directors” means a director appointed to the Board of the Company.*
- g) *“Independent Director” means as provided under Applicable Laws*
- h) *“Key Managerial Personnel” or “KMP” means*
 1. *the chief executive officer or the managing director or the manager;*
 2. *the company secretary;*
 3. *the whole-time director;*
 4. *the chief financial officer*
 5. *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*
 6. *such other officer as may be prescribed*
- i) *“Policy” means the Nomination and Remuneration Policy*

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

3. Composition and Chairmanship

The members of the Committee will be appointed by the Board and may be removed by the Board in its discretion. These members will serve until their cessation on the Board of Company or removed by the Board or their successors have been duly appointed. The Committee shall comprise of at least three directors and at least two- thirds of the directors shall be independent directors. All directors of the Committee shall be non-executive directors. However, the executive chairperson of the Board (if any) may be appointed as a member of the Committee but shall not chair the Committee. The Chairperson of the Committee shall be an independent director and shall be appointed by the Board. In case the Chairperson is not present at any Committee meeting, the members present at the meeting shall, amongst themselves, elect a Chairperson for that particular meeting.

4. Frequency of meeting and Quorum

The Committee shall meet at least once a year and 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.

5. Appointment and removal of Director and KMP:

The Committee shall evaluate the diversity of the board, balance of knowledge, skill, professional & functional expertise, industry orientation, board diversity, age etc. on the Board and, in the light of this evaluation, prepare and recommend to the Board a description of the role and capabilities required for a particular appointment.

For every appointment of independent director, the Committee shall:

- a. 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;
- b. Ensure that 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: 1.) use the services of an external agency, if required; 2.) consider candidates from a wide range of backgrounds, having due regard to diversity; and 3.) consider the time commitments of the candidates.

In case of Directors and KMPs, in addition to the above specifications, the NRC shall ensure that the potential candidates possess the requisite qualifications and attributes as per the Applicable Laws. Refer Annexure A for the criteria for determining the Independence of Directors in case of appointment of Independent Directors.

With respect to removal of any Director and KMP, the NRC shall in consultation with either the Chairman of the Company, review the performance and/or other factors meriting a removal 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.

In pursuance to the applicable laws, each Director shall attend at least one meeting of the Board of Directors held during a period of twelve months. If the director does not meet the minimum attendance criteria and is absent from all the meetings with or without seeking leave of absence from the Board, then the director may incur disqualification.

6. Board Diversity:

The Committee in its nomination process and while making recommendations to the Board shall endeavor to have an optimum combination of directors from a diverse mixture of skills, professional & industry backgrounds, age, sexual orientation, physical disabilities, family status, religious beliefs, political beliefs, nationality geographical experience & expertise, gender, tenure, ethnicity and diversity of thought. The Committee shall operate on the premise that a diverse and inclusive Board will be able to leverage different skills and perspectives, which is essential for achieving long-term growth and development. The Committee shall set out the criteria for determining qualifications, positive attributes and independence while evaluating a person for appointment /re-appointment as Director with no discrimination on the grounds of ethnicity, nationality, gender or race or any other such factor. While reviewing the composition of the Board, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above.

7. Performance Evaluation of the Board, its committees and individual directors:

Each year, the NRC formulates the criteria and the process for evaluation of performance of the Board, individual directors, Chairperson and the committees of the Board and recommend the same to the Board.

The board members shall undergo the following, and the NRC shall review its implementation and compliance with Applicable laws as well as the criteria and process laid out.

- a) Self-evaluation by each board member based on the criteria set by the NRC, including performance on business metrics and non-financial targets; and
- b) Annual Third-party evaluation by a recognized organization.

The evaluation of the independent directors shall be done by the entire Board of directors which shall include:

- a. performance of the directors; and
- b. fulfilment of the independence criteria including their independence from the management as specified under Applicable Laws

Directors who are subject to this evaluation shall not participate in their own evaluation.

The independent directors of the Company shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting. The Independent directors in their separate meeting shall, inter alia:

1. review the performance of non-independent directors and the Board of directors as a whole;
2. review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors; and
3. assess the quality, quantity and timeliness of flow of information between the management of the Company and the Board of directors that is necessary for the Board of directors to effectively and reasonably perform their duties.

Based on the evaluation results, the NRC will make its recommendations to the Board on the appointment / re-appointment / continuation of Directors on the Board.

8. Remuneration Criteria

The Committee will recommend the remuneration to be paid to the Directors and KMPs, to the Board for their approval. The same shall be subject to the approval of the shareholders of the Company and such other approvals, as may be required.

9. Remuneration criteria for non-executives Directors:

Non-Executive Directors are eligible for sitting fees and profit related commission in addition to reimbursement of expenses for attending the meetings of the Board and its Committees.

- a. **Profit-related commission:** Profit-related commission may be paid within the monetary limit approved by the shareholders subject to the limit not exceeding 1% of the net profits of the Company as per the Applicable Laws. 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.
- b. **Sitting Fees:** Non-Executive Directors may receive remuneration by way of fees for attending the meetings of the Board or Committee thereof provided that the amount of such fees shall not exceed rupees one lakh per meeting of the Board or Committee or any such amount as may be prescribed under the Applicable Laws from time to time.

10. Minimum remuneration to directors:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its directors including independent directors in accordance with the provisions of the Applicable Laws including Section 197 of the Companies Act, 2013.

11. Succession Planning:

Succession Planning is done to ensure that the affairs of the Company are not impeded on account of events viz; retirement, resignation, death, etc. The NRC shall draft and recommend to the Board a succession plan for the appointments made to the Board as well as KMPs. The NRC shall review such plan on an annual basis and recommend revisions, if any, to the Board. The NRC shall work with the management and follow the following process for effective succession planning:

- a. Assessment of potential employees and creation of a leadership pool.
- b. Development of the talent pool through actions such as involvement in strategic meetings, leadership workshops with top management, coaching, anchoring, job rotations, role enhancement, council membership and involvement in cross function projects etc.

12. Election – Re-election

As per the provisions of the act and as per the clauses of its articles of association, directors are liable to retire by rotation annually at the ensuing AGM. Based on the performance evaluation and recommendation of the committee, Board may recommend reappointment of the liable individual director.

13. Interpretation and amendments in law:

The Board of Directors may on recommendation of the NRC and, in their discretion, make any changes/modifications and/or amendments to this Policy from time to time.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Applicable Laws, as may be amended from time to time, shall have the meaning respectively assigned to them therein.

In the event of any conflict between the provisions of this Policy and the Applicable Laws or any other statutory enactments, rules, shall prevail over and automatically be applicable to this Policy and the relevant provisions of the Policy would be amended/modified in due course to make it consistent with the law.

CRITERIA FOR DETERMINING THE INDEPENDENCE OF DIRECTORS

A Director is considered independent if the Board makes an affirmative determination after a review of all relevant information. The Board has established the categorical standards set forth below to assist it in making such determinations.

An Independent Director in relation to a Company means a Director other than a Managing Director or a Whole Time Director or a Nominee Director –

- (i) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;
- (ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company or member of the promoter group of the listed entity;
- (iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;
- (iv) who, apart from receiving director's remuneration or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;
- (v) none of whose relatives—
 - a. is holding securities of or interest in the listed entity, 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 two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;
 - b. is indebted to the listed entity, 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;
 - c. has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or
 - d. has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income:

Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent 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.

(vi) who, neither himself/herself, nor whose relative(s) —

- a. holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company or any company belonging to the promoter group of the listed entity, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed:

Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.

- b. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
 - (1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or
 - (2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm
- c. holds together with his relatives two per cent or more of the total voting power of the listed entity; or
- d. is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or 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 two per cent or more of the total voting power of the listed entity;
- e. is a material supplier, service provider or customer or a lessor or lessee of the listed entity;

(vii) who is not less than 21 years of age.

(viii) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director: