



**NOMINATION & REMUNERATION POLICY
OF
PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED**

Document Control

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NOMINATION & REMUNERATION POLICY

1. PREAMBLE

Paras Defence and Space Technologies Limited (the “**Company**”) has formulated this policy to provide a framework for remuneration of members of the Board of Directors of the Company (the “**Board**”), Key Managerial Personnel, and other employees of the Company (this “**Policy**”).

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.

This Policy reflects the remuneration philosophy and principles of the Company and considers the pay and employment conditions with peers / competitive market to ensure that pay structures are appropriately aligned.

2. CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE

The Board has constituted the “Nomination and Remuneration Committee” of the Board on January 25, 2019. This is in line with the requirements under the Act. This Policy and the Nomination and Remuneration Committee Charter are integral to the functioning of the Nomination and Remuneration Committee and are to be read together.

The Board has authority to reconstitute this Committee from time to time.

3. DEFINITIONS

- a) ‘Board’ means Board of Directors of the Company.
- b) ‘Directors’ means directors of the Company.
- c) ‘Committee’ means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act and applicable Listing Regulations.
- d) ‘Company’ means Paras Defence and Space Technologies Private Limited.
- e) ‘Independent Director’ means a Director referred to in Section 149(6) Act and rules and Listing Regulations.

- f) 'Key Managerial Personnel (KMP)' means-
- i. the Managing Director or Chief Executive Officer or manager;
 - ii. Whole-time Director;
 - iii. the Company Secretary;
 - iv. the Chief Financial Officer; and Any other person as defined under the Act from time to time.
- g) Senior Management means officers/personnel of the Company who are members of its core management team. The core management team includes Chief Executive Officer, Managing Director, Whole-time Director, Presidents, Group General Counsel, Head-HRD, Chief Financial Officer and Company Secretary.

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

4. GENERAL

This Policy is divided in three parts: -

Part – A covers the matters to be dealt with and recommended by the Committee to the Board;

Part – B covers the appointment and removal of Directors, KMP and Senior Management; and

Part – C covers remuneration for Directors, KMP and Senior Management

PART A - MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE ("NRC"):

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

- a) **SIZE AND COMPOSITION OF THE BOARD:** Periodically reviewing the size and composition of the Board to have an appropriate mix of executive non-executive and independent Directors to maintain its independence and separate its functions of governance and management and to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company;
- b) **DIRECTORS:** Formulate the criteria determining qualifications, positive attributes of a Director and recommend candidates to the Board when circumstances warrant the appointment of a new Director, having regard to qualifications, integrity, expertise and experience for the position.
- c) **SUCCESSION PLANS:** Establishing and reviewing Board, KMP and Senior Management succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management.
- d) **EVALUATION OF PERFORMANCE:**
 - i. Make recommendations to the Board on appropriate performance criteria for the Directors.

- ii. Formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company or engage with a third-party facilitator in doing so.
- iii. Identify ongoing training and education programs for the Board to ensure that Non-Executive Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.

PART B - POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMP AND SENIOR MANAGEMENT

a) APPOINTMENT CRITERIA AND QUALIFICATIONS

- The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director, KMP or Senior Management and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
- A person to be appointed as Director, KMP or Senior Management should possess adequate qualification, expertise and experience for the position he / she is considered for.
- A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
- 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 for such role shall meet the 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
- The Company shall appoint or continue the employment of a person as Managing Director / whole time Director and non-executive Director who has not attained the maximum age of retirement as prescribed under relevant laws. The Company shall pass a Resolution in General Meeting of Shareholders for the appointment or continuation of Directorship after attainment of the maximum age as may be prescribed under relevant laws.
- 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 permission of the Board of Directors of the Company.

- The Company shall not appoint any resigning independent director, as whole-time director, unless a period of one year has elapsed from the date of resignation as an independent director

b) TERM / TENURE

- 1) **Managing Director / Whole-time Director** - The Company shall appoint or re-appoint any person as its Managing Director and CEO or whole time Director as per the relevant laws.
 - 2) **Non-Executive Director** - Non-executive director's office is subject to retirement by rotation at the Annual general meeting in the manner as specified under relevant laws.
 - 3) **Independent Director** - An Independent Director shall be appointed / re-appointed in the manner as specified under relevant laws.
- c) Removal** - Due to reasons for any disqualification mentioned in the Act and rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.
- d) Retirement** - The Directors, KMP and Senior Management shall retire as per the applicable provisions of the relevant laws. The Board will have the discretion to retain the Directors, KMP and Senior Management in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company, subject to approvals as required under the relevant laws.

PART C - POLICY RELATING TO THE REMUNERATION FOR DIRECTORS, KMP AND SENIOR MANAGEMENT

a) GENERAL

1. The remuneration / compensation / commission etc. to be paid to Directors will be determined by the Committee and recommended to the Board for approval.
2. The remuneration and commission to be paid to the Managing Director/Whole-time Director shall be in accordance with the provisions of the Act, and the rules made thereunder.
3. Increments 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.
4. Where any insurance is taken by the Company on behalf of its Directors, KMP and 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. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

b) REMUNERATION OF NON-EXECUTIVE AND INDEPENDENT DIRECTORS

1. Non-Executive and Independent Directors (“**NEDs**”) will be paid remuneration by way of sitting fees and commission. The remuneration/ commission/ compensation to the NEDs will be determined by the Nomination and Remuneration Committee (“**Compensation Committee**”) and recommended to the Board for its approval.
2. Such remuneration and commission will be approved by the Board and shareholders, as may be required, in accordance with the provisions of the Act.
3. The payment of the commission to the NEDs will be placed before the Board every year for its consideration and approval. The sitting fee payable to the NEDs for attending the Board and Compensation Committee meetings will be fixed, subject to the statutory ceiling. The fee will be reviewed periodically and aligned to comparable best in class companies.
4. Keeping with evolving trends in industries and considering the time and efforts spent by specific NEDs, the practice of paying differential commission will be considered by the Board.
5. NEDs will not be eligible to receive stock options under the existing employee stock option scheme(s) (“**ESOP**”) of the Company.
6. NEDs are entitled to be paid all travelling and other expenses they incur for attending to the Company’s affairs, including attending meetings of the Company.
7. The remuneration payable by the Company to NEDs shall be subject to the conditions specified in the Act and the SEBI Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements.

c) REMUNERATION OF EXECUTIVE DIRECTOR

1. The compensation paid to the executive directors (including Managing Director) will be within the scale approved by the shareholders. The elements of the total compensation, approved by the Compensation Committee will be within the overall limits specified under the Act.
2. The elements of compensation of the executive director include the elements as described in 4 below.
3. The Compensation Committee will determine the annual variable pay compensation in the form of annual incentive and annual increment for the executive director based on Company’s and individual’s performance as against the pre-agreed objectives for the year.

4. The executive directors, except for a promoter director, will also be eligible for ESOPs as per the ESOP scheme in force from time to time. Grants under the ESOP scheme shall be approved by the Compensation Committee.
5. In case of inadequacy of profit in any financial year, the remuneration payable to the executive director shall be further subject to the relevant provisions of the Act.
6. Executive directors will not be paid sitting fees for any Board/ committee meetings attended by them.
7. The remuneration payable by the Company to the executive directors shall be subject to the conditions specified in the Act and the SEBI Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements.

d) REMUNERATION TO KEY MANAGERIAL PERSONNEL / OTHER EMPLOYEES

1. The Company's total compensation for Key Managerial Personnel as defined under the Act / other employees will consist of:
 - fixed compensation;
 - variable compensation in the form of annual incentive;
 - benefits; and
 - work related facilities and perquisites.
2. In addition, select senior executives will be eligible for long-term incentive plan in the form of ESOPs, as per the ESOP scheme in force from time to time. Grants under the ESOP scheme will be approved by the Compensation Committee.
3. Fixed compensation will be determined on the basis of size and scope of the job typically as reflected by the level or grade of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation will include basic salary, housing allowance, leave travel allowance and a cash allowance.
4. The annual incentive (variable pay) of executives will be linked directly to the performance of the Company
5. The employees shall receive benefits based on the grade and seniority of employees as per the policy of the Company
6. Employees will also be eligible for work related facilities and perquisites as may be determined through human resources policies issued from time to time based on the grade of the employee.
7. A formal annual performance management process will be applicable to all employees, including senior executives. Annual increases in fixed and variable compensation of individual executives will be directly linked to the performance ratings of individual employee.

- Overall compensation shall be subject to periodic reviews which takes into account data from compensation surveys conducted by specialist firms, as well as factors such as affordability based on the Company's performance and the economic environment;
- Employees may be eligible for ESOPs as per the ESOP scheme approved by the Shareholders and in force from time to time. The objective of the ESOP is to reward the Eligible Employees, for their past association and performance as well as to motivate them to contribute to the growth and profitability of the Company; and
- Employees may be eligible for severance payments in accordance with the termination clause in their employment agreement subject to applicable regulatory requirements.

5. COMMITTEE MEMBERS INTEREST

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

6. ADOPTION, CHANGES AND DISCLOSURE OF INFORMATION

- 6.1. This Policy and any changes thereof will be approved by the Board based on the recommendation(s) of the Compensation Committee.
- 6.2. This Policy may be reviewed at such intervals as the Board or Compensation Committee may deem necessary.
- 6.3. Such disclosures of this Policy as may be required under the Act and SEBI Listing Regulations may be made.

7. DISSEMINATION OF POLICY

A copy of this Policy shall be handed over to all Directors within one month from the date of approval by the Board. This Policy shall also be posted on the website of the Company and the details of this Policy, including the evaluation criteria, shall be mentioned in the Annual Report of the Company.

DATE: 9th February, 2023