AVTAR STEEL LIMITED

POLICY ON SELECTION, APPOINTMENT, PERFORMANCE EVALUATION AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

REGULATORY FRAMEWORK

This policy on Selection, Appointment, Performance Evaluation and Remuneration ("**Policy**") of Avtar Steel Limited ("**Company**") has been prepared in accordance with the Companies Act, 2013 ("**Act**") and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"), as amended from time to time. This Policy has been approved and adopted by the Board of Directors ("**Board**") of the Company on 14 May, 2026

Section 178 (3) of the Act and Regulation 19 read with Part D of Schedule II of Listing Regulations requires the Nomination and Remuneration Committee to formulate the criteria for determining qualifications, positive attributes and independence of a director, recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees, criteria for evaluation of performance, board diversity, identifying persons who are qualified to become directors and who may be appointed in senior management, etc.

The Board of the Company shall constitute a Committee to be known as Nomination and Remuneration Committee ("**Committee**") which shall consist of at least 3 Directors all of whom must be non-executive directors and at least two third of whom shall be independent Directors as Committee members. The Chairperson of the Committee shall be an Independent Director. The Chairperson of the Company, whether executive or non-executive Director may be appointed as a member of the Committee but shall not be a Chairman of the Committee. The membership of the Committee shall be disclosed in the Annual Report. The terms of the Committee shall be continued unless terminated by the Board. The Committee shall meet at least once in a year and among other functions, shall also review the Policy periodically and may amend the same from time to time, as deemed necessary.

This Policy applies to the Board, the Key Managerial Personnel (the "**KMP**") and "Senior Management" of Company.

"**Independent Director**" means a director referred to in Section 149(6) of the Companies Act, 2013 read together with Regulation 16 of the Listing Regulations.

"**Key Managerial Personnel**" or "**KMP**" as defined under Section 2(51) of the Companies Act means—

- Chief Executive Officer or the Managing Director or the Manager,
- Company Secretary,
- Whole-time Director,
- Chief Financial Officer
- 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
- such other officer as may be prescribed; [

"**Senior Management** " means the officers and personnel of the Company who are members of its core management team, excluding the Board, 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.

This Policy is in compliance with Section 178 of the Companies Act, 2013 read along with Listing Regulations.

(i) <u>Purpose</u>

The primary objective of the Policy is to provide a framework and set standards for the selection, appointment, performance evaluation and remuneration of the Directors, KMPs and other employees including Senior Management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, KMPs and Senior Management.

(ii) <u>Accountability</u>

2.1. The Board is ultimately responsible for the appointment of Directors and KMPs.

2.2. The Board has delegated responsibility for assessing and selecting the candidates for the role of Directors and Key Managerial Personnel of the Company to the Nomination and Remuneration Committee which makes recommendations & nominations to the Board.

(iii) <u>Appointment of Directors, KMPs and Senior Management</u>

3.1. Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMP and Senior Management are the basis for the Nomination and Remuneration Committee to select a candidate for appointment to the Board and as KMP and Senior Management. When identifying a candidate for appointment, the Nomination and Remuneration Committee considers the following:

i. assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;

ii. the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;

iii. the skills and experience that the appointee brings to the role of KMP;

iv. the nature of existing positions held by the appointee including Directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment;

The Nomination and Remuneration Committee shall then recommend the identified candidates for the position of Director and KMPs to the Board for final selection and appointment.

3.2. Selection Criteria:

The Nomination and Remuneration Committee shall formulate criteria for determining qualifications, positive attributes and independence of a Director, KMP and Senior Management based on the following:

- Demonstration of independence, integrity, high personal and professional ethics;
- Ability and willingness to commit sufficient time to the responsibilities as a Board member;
- Understanding of the Company's business and related industry;
- General understanding of marketing, finance, and other disciplines relevant to the business of the Company;
- Educational and professional background – professional qualification and/or experience of having run a business at senior management and decision making level;
- Age giving sufficient experience as well as length of service available;
- Personal accomplishments and ability to influence decisions.
- Excellent interpersonal, communication and representational skills;
- Reputation, integrity, efficiency, expertise, insights and accomplishments in sectors or areas relevant to the Company's industry.

The above are the broad parameters for assessing the candidate's suitability. The Nomination and Remuneration Committee has the discretion to apply additional or different criteria as it may deem fit. The Nomination and Remuneration Committee may also consider the contributions that a board candidate can be expected to make to the collective functioning of the Board based upon the totality of the candidate's credentials, experience and expertise, the composition of the Board at the time, and other relevant circumstances.

For the purpose of identifying suitable candidates, the Nomination and Remuneration 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

3.3. Board Diversity:

The Nomination and Remuneration Committee shall assist the Board in ensuring Board nomination process with the diversity of gender, thought, experience, knowledge and perspective in the Board. The Committee shall be responsible for reviewing and assessing the composition and performance of the Board. The Committee shall assess the appropriate mix of diversity, skills, experience, and expertise required on the Board. The Committee shall review the Board composition in terms of the size of the Board. The Board shall have an optimum composition of executive, non-executive, and Independent Directors in accordance with the requirements of the Articles of Association of the Company, the Act, the Listing Regulations and other statutory/ regulatory requirements.

3.4. Regulatory Requirements

The Nomination and Remuneration Committee will keep in mind regulatory requirements in relation to selection and appointment of the Directors. For example, a person cannot serve on more than seven listed company boards in addition to the Company.

Also, a person who serves as the Managing Director/Chief Executive Officer (or equivalent position) of any company cannot serve on the Board of more than three additional public listed companies. The Company may appoint or re- appoint any person as the Managing Director and/or Whole-time Director for a term not exceeding five years at a time. Further, they shall not be reappointed earlier than one year before the expiry of their term.

An Independent Director can hold office for a term up to five consecutive years on the Board of the Company and he is 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 can hold office for more than two consecutive terms of five years, but such Independent Director is 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.

The Nomination and Remuneration Committee shall also verify the compliance with eligibility criteria given under the Act and Listing Regulations while considering the appointment of independent directors and KMPs.

3.5. Letters of Appointment

Each KMP/ Senior Management is required to sign a letter of appointment, as acceptance of the offer, with the Company containing the terms of appointment and the role assigned in the Company.

4. Remuneration of Directors and KMPs and Senior Management

The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, KMPs and Senior Management.

The Directors remuneration and KMPs and Senior Management's salary shall be determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed statutorily, if any.

The Nominations & Remuneration Committee determines individual remuneration packages for Directors, KMPs and Senior Management of the Company taking into account factors it deems relevant, including but not limited to market, 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. The Committee consults with the Chairman of the Board as it deems appropriate.

5. Evaluation Process for Directors, KMPs and other eligible employees including the Senior Management:

The Company follows annual evaluation for its Directors, KMPs and other eligible employees including the Senior Management.

A process modelled on this method has been designed for evaluation of Directors. Under this process, the Nomination and Remuneration Committee will:

- help define criteria for evaluations
- formulate the process for evaluating and rating each Director
- design the evaluation templates/questionnaire and implementation process
- coordinate and collate feedback received from each Director
- analysis feedback received from each Director and prepare summary thereof
- share the evaluation summary with the Chairman of the Nomination and Remuneration Committee
- share the feedback with the Chairman of the Board

The above process will be implemented and controlled from the Chairman's office and the summary will be prepared without attributing any comment to the person who made it. Such summary of observations will be shared with the directors in confidence.

5.1. <u>Key Evaluation Criteria</u>

- Providing effective leadership and strategic guidance to the management
- Understanding the Business, including the Risks and regulatory landscape
- Attendance at, and active engagement in the discussion of business performance, competitive landscape and strategies
- Development and monitoring of leadership teams, Compliance focus and insistence on ethical business practices
- Nudging for long term focus areas such as Succession Planning, Business Continuity Planning etc.
- Management of conflicts in Board discussion
- Management of Conflict of Interest

Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Non-Independent Directors in a separate meeting of the Independent Directors.

The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

5.2. Remuneration of the Managing Director and Executive Director is recommended by the Committee to the Board of the Company.

i. **<u>Remuneration:</u>**

a) **<u>Base Compensation (fixed salaries):</u>**

Must be competitive and reflective of the individual's role, responsibility and experience in relation to performance of day-to-day activities, usually reviewed on an annual basis; (includes salary, allowances and other

statutory/non-statutory benefits which are normal part of remuneration package in line with market practices).

b) **Variable salary:**

The Nomination and Remuneration Committee may in its discretion structure any portion of remuneration to link rewards to corporate and individual performance, fulfilment of specified improvement targets or the attainment of certain financial or other objectives set by the Board. The amount payable is determined by the Committee, based on performance against pre- determined financial and non-financial metrics and statutory limits, if any.

c) **Perks and Other Benefits:**

The Nomination and Remuneration Committee may in its discretion, based on performance of individual, allows perks and other benefits including car, house and other such benefits.

ii. **Statutory Requirements:**

Section 197(5) of the Act provides for remuneration by way of a sitting fee to a Director for attending meetings of the Board and Committee meetings or for any other purpose as may be decided by the Board.

- The Company may with the approval of the shareholders authorize the payment of remuneration up to five percent of the net profits of the Company to any one Managing Director/Whole Time Director/Manager and ten percent in case of more than one such official.

- The Company may pay remuneration to its directors, other than Managing Director and Whole Time Director upto one percent of the net profits of the Company, if there is a managing director or whole-time director or manager and three percent of the net profits in any other case.

- The net profits for the purpose of the above remuneration shall be computed in the manner referred to in Section 198 of the Act.

- 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 meeting, if-
  the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or
  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 listed entity:

Notwithstanding the above but subject to the provisions of Schedule V, if, in any financial year, a company has no profits or its profits are inadequate, the company shall not pay to its directors, including any managing or wholetime director or manager, or any other non-executive director, including an independent director by

way of remuneration any sum exclusive of any fees payable to directors under sub-section (5) hereunder except in accordance with the provisions of Schedule V.

5.3. The Non-executive Directors and Independent Directors will receive remuneration by way of sitting fees for attending meetings of the Board and/or Committee thereof, as decided by the Board from time to time subject to the limits specified under the Act including any amendments thereto. In addition to the sitting fees, the Non-executive and Independent Directors may also be paid commission as may be determined by the Board subject to the limits specified under the Act. The remuneration of Non-executive Directors and Independent Directors will be governed by the role assumed, number of meetings of the Board and the committees thereof attended by the directors, the position held by them as the Chairman and member of the committees of the Board and overall contribution to the business. Besides these, the determination of remuneration of independent directors will also depend on the external competitive environment, track record, individual performance of the directors and performance of the Company as well as the industry standards.

5.4. The remuneration payable to the Directors shall be as per the Company's policy and shall be valued as per the Income tax Act, 1961, as amended.

5.5. The remuneration payable to the KMPs and Senior Managerial shall be in accordance with the provisions of the Act and may be decided by the Nomination and Remuneration Committee having regard to their experience, leadership abilities, initiative taking abilities and knowledge base.

6. DISCLOSURE REQUIREMENTS

6.1. The Company shall disclose in its Corporate Governance Report, a chart or a matrix setting out the skills/expertise/competence of the board of directors specifying the following:

i. The list of core skills/ expertise/ competencies identified by the Board as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board; and

ii. The names of directors who have such skills/ expertise/ competence.

6.2. The Company shall also disclose in its Corporate Governance Report a confirmation that in the opinion of the board, the independent directors fulfill the conditions specified in Listing Regulations and are independent of the management.

6.3. The Corporate Governance Report shall also include detailed reasons for the resignation of any independent director who resigns before the expiry of his or her tenure along with a confirmation by such director that there are no other material reasons other than those provided.

6.4. This policy shall be uploaded on the website of the Company i.e. wwwavtarsteel.com

6.5. The salient features of this policy and any changes made therein in brief along with a weblink to the policy shall be provided in the Board's Report.

7. AMENDMENT

7.1. Any amendment to this Policy may be carried out with the approval of the Board of the Company.

In case any amendment(s), clarification(s), circular(s) and guideline(s) issued by Securities and Exchange Board of India/Stock Exchanges, that is not consistent with the requirements specified under this Policy, then the provisions of such amendment(s), clarification(s), circular(s) and the guideline(s) shall prevail upon the requirements hereunder and this Policy shall stand amended accordingly effective from the date as laid down under such amendment(s), clarification(s), circular(s) and guideline(s). Such amendments shall be brought to the attention of the Board.

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