



Kennametal India Limited

Nomination and Remuneration Committee Policy

This Nomination and Remuneration Policy (the “**Policy**”) applies to the Board of Directors (the “**Board**”), Key Managerial Personnel (the “**KMP**”) and the Senior Management Personnel of Kennametal India Limited (“**KIL**” or the “**Company**”).

“**India Leadership Council**” means leadership team comprising of personnel holding the following positions by whatever designation conferred by the Company:

- Managing Director;
- Chief Financial Officer;
- General Counsel and Company Secretary, India;
- Business Heads representing different business segments;
- Head of Manufacturing Operations;
- Head of Human Resources;
- Head of Strategic Marketing; and
- such other senior leaders as recommended by the Managing Director and approved by the Nomination & Remuneration Committee of the Board, from time to time.

“**Key Managerial Personnel**” means

- Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;
- Chief Financial Officer;
- Company Secretary; and
- such other officer as may be prescribed under the applicable laws from time to time.

“**Senior Management**” means Senior Management means the personnel of the company who are members of the member of India Leadership Council excluding the Board of Directors.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 or under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be amended from time to time shall have the meaning respectively assigned to them therein.

This Policy is in compliance with Section 178 of the Companies Act, 2013 read alongwith the applicable rules thereto and as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time).

1. Purpose

The primary objective of the Policy is to provide a framework and set standards for the nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and Senior Management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

2. Nomination and Remuneration Committee

Role of Nomination and Remuneration Committee (“NRC”) include the following:

1. 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;
 - 1A. 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.
2. Formulation of criteria for evaluation of performance of independent directors and the board of directors;
3. Devising a policy on diversity of board of directors;
4. 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.
5. 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.
6. Recommend to the board, all remuneration, in whatever form, payable to senior management.
7. 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. The Committee shall also assist the Board in ensuring the Board nomination process is in line with the diversity policy of the Board relating to differences in thought, perspective, regional and industry experience, cultural and geographical background, age, ethnicity, race, gender, knowledge & skills.
8. 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.
9. Carrying out any other functions required to be undertaken by the Nomination and Remuneration Committee under applicable law.

The Nomination and Remuneration Committee charter sets out the composition, membership and responsibilities of the Nomination and Remuneration Committee.

3. Policy for appointment and removal of Director, KMP and Senior Management

3.1. Appointment criteria and qualifications

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

c) The Company shall not appoint or continue the employment of any person as Whole-time Director 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 based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.2 Term / Tenure

i) Managing Director/Whole-time Director:

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

ii) Independent Director:

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company, subject to approval of shareholders by passing special resolution and will be eligible for re-appointment on passing of a special resolution by the Shareholders of the Company. Every appointment of an Independent Director shall be disclosed in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each in compliance of the Companies Act, 2013, 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 Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time).

- Independent Directors shall register themselves in the databank of Independent Directors in accordance with the provisions of Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019
- Unless exempt, the Independent Directors shall pass the online proficiency self-assessment test as per the provisions of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019.

3.3. Evaluation

The Committee shall carry out evaluation of performance of every Director at regular interval (yearly) as per the performance management system of the Company.

3.4 Removal

Subject to the provisions of the Companies Act, 2013 and rules made thereunder or any other applicable Act, rules and regulations thereunder, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel.

3.5. Retirement

- a) The Managing Director/Whole-time Director, KMP and Senior Management Personnel 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, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company. The Company provided retirement benefits as applicable.
- b) The retirement age for Non-executive Directors is 73 years. The extension of the retirement age shall be considered by the Board on case to case basis beyond 73 years upon the recommendation of the Nomination and Remuneration Committee with appropriate reasoning subject to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time).

4. Policy relating to the Remuneration for the Managing Director, Whole-time Director, KMP, and Senior Management Personnel

4.1. General:

- a) The remuneration / compensation /performance pay/ Variable pay etc. of the Managing/Whole-time Director, KMP and Senior Management Personnel will be recommended by the Committee to the Board for approval. The remuneration / compensation / commission etc. of directors shall be subject to the prior/post approval of the shareholders of the Company and with the limit permitted under the Companies Act, 2013 and rules made thereunder.
- b) The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Remuneration should be :

- Market competitive
- Driven by role played by the individual
- Reflective of size of the Company, complexity of the industry in which it operates
- Consistent with recognized best practices
- Aligned to the regulatory requirements, if any.

c) The Committee may recommend increments to the existing remuneration/ compensation structure to the Board which should be within the limit approved by the Shareholders in the case of Managing Director.

d) Where any Director and officers liability (D&O) insurance is taken by the Company on behalf of its Directors, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other 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 proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

4.2 Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

a) Annual Guaranteed Cash/Fixed Remuneration and Performance Pay:

The Managing Director/Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Nomination & Remuneration Committee. The breakup of the Annual Guaranteed Cash comprising of Basic Salary, Housing Allowance, Special allowance, LTA, Medical allowance and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees and performance/Variable pay etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing/Whole-time Director in accordance with the provisions of Schedule V of the Act, subject to the approval of shareholders of the Company in accordance with Section 197 read with Schedule V of Companies Act 2013..

Statutory requirements:

- Section 197(1) of the Companies Act, 2013 provides for the total managerial remuneration payable by the Company to its directors, including managing director and whole time director, and its manager in respect of any financial year shall not exceed eleven percent of the net profits of the Company computed in the manner laid down in Section 198 in the manner as prescribed under the Act.
- The Company may with Board resolution authorise the payment of remuneration upto five percent of the net profits of the Company to its anyone Managing Director/Whole Time Director/Manager and ten percent in case of more than one such official.

c) Provisions for excess remuneration:

If any Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act, he / she shall refund such sums to the Company within two years or such lesser period as may be allowed by the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless approved by the Company by special resolution within two years from the date the sum becomes refundable..

4.3. Remuneration to Non- Executive / Independent Director:

a) Remuneration / Commission:

The remuneration / commission shall be payable and fixed as per the provision of the Companies Act, 2013 and rules made thereunder as amended from time to time. Such remuneration / commission shall be based on the structure as may be determined by the Board, and is revised from time to time, depending on individual contribution, Company's performance, and the provisions of relevant laws.

b) Sitting Fees:

The Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof as approved by the Board. Provided that the amount of such fees shall not exceed the amount prescribed under the Companies Act, 2013 and rules/regulations/notification applicable thereunder.

c) Commission:

The Company may pay the Commission to Independent Directors within the limit approved by shareholders and subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

d) Stock Options:

An Independent Director shall not be entitled to any stock option of the Company or its promoter's company.

- e)** In addition to the sitting fees and commission, the company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the director while performing his/her role as a director of the Company. This could include reasonable expenditure incurred by the director for attending Board/Board Committee meetings, general meetings, court convened meetings, site visits, induction and training (as permitted by the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) and obtaining professional advice from independent advisors in furtherance of his/her duties as Director.

5. Succession Plan for the Board, KMP and Senior Management

The Nomination and Remuneration Committee of the Company shall oversee and review succession plan from time to time and recommend the same to the Board.

i) Succession Plan for the Board

The Nomination and Remuneration Committee shall proactively review the succession requirements for the Board and carry out the due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director of the Company based on his educational qualification, relevant experience, track record, reputation etc.

The proposed candidate shall be evaluated by the Nomination and Remuneration Committee to determine the eligibility and proper criteria as per the Companies Act 2013, and if any, and thereafter such candidate shall be recommended to the Board for its consideration and approval.

ii) Succession Plan for KMP and Senior Management Personnel

Based on the inputs received from the Human Resource Department, the Nomination and Remuneration Committee shall periodically review any vacancy / probable vacancy in the position of KMP / Senior Management Personnel which may arise on account of retirement, resignation, death, removal, transfer, business expansion, incapacity whether temporary or permanent or otherwise.

For Key Managerial Personnel, the Nomination and Remuneration Committee shall evaluate the suitability of any person based on factors viz., educational qualification, experience, age, health, leadership qualities, suitability to external market requirement / expectation etc., and recommend his/ her candidature to the Board well before such vacancy arises to facilitate smooth transition.

The Nomination and Remuneration Committee shall also identify the competency requirements of Board/key positions, assess potential candidates and develop required competency through planned development and learning initiatives. The Nomination and Remuneration Committee may utilize the services of professional search firms to assist in identifying and evaluating potential candidates.

In the event of any unexpected occurrence in respect of any member in the core management team, the next person as per the organization chart and hierarchy or any other suitable person as may be identified shall take interim charge of the position, pending a regular appointment in terms of the succession plan.

In addition to the above, the appointment of Key Managerial Personnel shall be made in compliance with all applicable provisions of the Companies Act, 2013 (including the rules made there under), SEBI Listing Regulations and applicable laws for the time being in force.

Succession planning for the critical roles be it, KMP or the Senior Management shall be discussed, deliberated at the Nomination & Remuneration Committee and suitable directions shall be passed from time to time to the management for any corrective actions as may be necessary.

6. Policy review:

(a) This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

(b) In case of any subsequent changes in the provisions of the Act or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

(c) This policy shall be reviewed by the Nomination and Remuneration Committee, periodically. Any changes or modification to the policy as recommended by the Committee would be placed before the Board of Directors for its approval.
