

# **Nomination and Remuneration Policy**

**Patel KNR Heavy Infrastructures Limited**

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## Nomination and Remuneration Policy

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## Introduction

Patel KNR Heavy Infrastructures Limited ('the Company') has adopted this Policy upon the recommendation of the Board and the said Policy is in compliance with the requirements of Section 178 of the Companies Act, 2013 and rules thereunder ('the Act').

This policy shall be applicable to the company with effect from 10<sup>th</sup> November, 2016.

## Objective

The key objective of the policy would be:

- a) To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- b) To formulate criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, key managerial personnel and other employees;
- c) Formulation of criteria for evaluation of Independent Director and the Board;
- d) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board;
- e) To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management;
- f) To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations;
- g) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage;
- h) To devise a policy on Board diversity;
- i) To develop a succession plan for the Board and to regularly review the plan.

## Scope and Applicability

The policy shall apply to

- a) Directors ( Executive, Non Executive and Independent);
- b) Key Managerial person;
- c) Senior management personnel.



### Definitions

The following words shall have the meanings as provided in the policy, unless otherwise mentioned in the Act:

**Board** "Board" means the Board of Directors of the Company as defined under the Act.

**Directors** Directors mean Directors of the company.

**Policy** "Policy or this Policy" means Policy on Nomination and Remuneration of this company.

**Senior Management** As per explanation to Section 178, Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the executive directors, including functional Heads.

**Key managerial personnel (KMP)** Key managerial personnel means whole-time key managerial personnel of the Company appointed under section 203 of the Act, which include:

- (i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time director;
- (ii) Company Secretary;
- (iii) Chief Financial Officer; and
- (iv) Such other officer as may be prescribed.

**Remuneration** 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.

**Independent Director** means an independent director referred to in sub-section (5) of section 149.

**Employees' stock option** means the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a pre-determined price.

Words and expressions used and not defined in the Policy shall have the same meanings as assigned to them in the Act.

### **Interpretation**

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013 as amended from time to time.

### **Guiding Principles**

The Policy ensures that

- 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;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and
- 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 goals.

### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee will consist of three or more non-executive directors, out of which at least one-half shall be independent director(s), provided that chairperson of the Company may be appointed as a member of this Committee but shall not chair such Committee. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman. Chairman of the Nomination and Remuneration Committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

### **Frequency of Meetings**

The meeting of the committee shall be held at such intervals as may be required.

### **Minutes of Committee Meeting**

Proceedings of all meetings must be minuted and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.

### **Committee Members' Interests**

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

### **Voting**

- Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- In the case of equality of votes, the Chairman of the meeting will have a casting vote.

### **Duties of the Committee**

The duties of the Committee in relation to nomination matters include:

- Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- Identifying and recommending Directors who are to be put forward for retirement by rotation;
- Determining the appropriate size, diversity and composition of the Board;
- Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- Recommend any necessary changes to the Board; and
- Considering any other matters, as may be requested by the Board.

The duties of the Committee in relation to remuneration matters include:

- Considering and determining the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate;
- Approving the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company;
- Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- Considering any other matters as may be requested by the Board.

### **Policy for Appointment /Resignation /Retirement /Succession of Director /KMP /Senior Management personnel**

#### **Appointment**

- a) The committee shall define the qualification/experience and expertise of the person for appointment as Director/KMP/Senior management personnel;
- b) The committee shall also take into consideration the provisions of Section 164 of the Companies Act 2013 relating to disqualifications for the appointment of directors;
- c) Appointment of Independent Directors is subject compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV and rules thereunder;
- d) 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;
- e) 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;

- f) 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.

### **Term/Tenure**

#### **a) Term for 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 re-appointment shall be made earlier than one year before the expiry of term.

#### **b) Term for Independent Director**

i) 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.

ii) No Independent Director shall hold office for more than two consecutive terms of upto 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.

iii) 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.

### **Evaluation**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

The Committee shall evaluate the performance of Directors taking into account the various parameters such as:

- Attendance at Board Meeting
- Participation in discussion
- Contribution in decision making,

While evaluation is been done, the Director who has been evaluated shall not participate in the discussion. The recommendations of the Committee will be sent to the Board for its review.



### **Retirement**

The 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.

### **Removal**

The Committee may recommend, to the Board with reasons recorded in writing, removal of Director, KMP or Senior Management Personnel subject to the provisions of the Act and the rules made thereunder and all other applicable Acts, Rules and Regulations, if any.

### **Policy on Executive Succession Plan**

1. A change in executive leadership is inevitable for all organizations and can be a very challenging time. Therefore, it is the policy of Patel KNR Heavy Infrastructures Limited (hereinafter to be referred to as “the Company”) to be prepared for an eventual / permanent change in leadership, either planned or unplanned, to ensure the stability and accountability of the organization until such time as new permanent leadership is identified.
2. This policy covers the guideline for identification and development of future leaders from the pool of internal talents working within the Company or Group.
3. The Board of Directors shall be responsible for implementing this policy and its related procedures. It is also the policy of the Board to assess the permanent leadership needs of the organization and to ensure the selection of a qualified and capable leader who is representative of the community; a good fit for the organization’s mission, vision, values, goals, and objectives; and who has the necessary skills for the organization.
4. To ensure that the organization’s operations are not interrupted while the Board of Directors assesses the leadership needs and recruit a permanent executive officer, the Board will appoint interim executive leadership, in accordance with the policy described below.
5. The Interim Chief Executive Officer (“CEO”) director shall ensure that the organization continues to operate without disruption and that all organizational commitments previously made are adequately executed, including but not limited to, loans approved, reports due, contracts, licenses, certifications, memberships, obligations to lenders or investors of the Company, and others.
6. It is also the policy of the Company, to develop a diverse pool of candidates and consider at least such number of finalist candidates for its permanent CEO position as may be determined by the Nomination and Remuneration Committee of the Company.
7. The Company shall implement an external recruitment and selection process, while at the same time encouraging the professional development and advancement of current employees. The interim CEO and any other interested internal candidates are encouraged to submit their qualifications for review and consideration by the Nomination and

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Remuneration Committee according to the guidelines established for the search and recruitment process.

### **Procedures for succession:**

1. For a temporary change in executive leadership (i.e., illness or leave of absence) the immediate junior officer, reporting to such executive, shall take charge of his senior till he joins the office or if he is not competent then such other person who is competent to take the charge as may be decided by the Managing Director.
2. In the event the Managing / Executive Director of the Company is no longer able to serve in this position (i.e., leaves the position permanently), the Nomination and Remuneration Committee of the Board of Directors shall fill the vacancy for the time being, in the following manner:
  - a. Within 30 business days (if appointed from within the Organisation) or 120 business days (if appointed from outside the organisation), appoint an interim CEO according to the following line of succession:
    - Senior Executive Director / Executive Director of the Company;
    - President / Vice president of the Company.

(Note:- In case there is more than one candidate eligible for the interim CEO, then Nomination and Remuneration Committee shall select one candidate based on his experience and expertise after consulting the Chairman of the Board and Audit Committee.)

- b. Within 30 days business days, the Nomination and Remuneration Committee shall take the responsibility and implement the following preliminary transition plan:
      - Communicate with key stakeholders regarding appointment of interim CEO;
      - Establish a time frame and plan for the recruitment and selection process in consultation with the recruitment agency from among the existing pool of talent or from outside, depending upon the requirement of the Company.
    - c. The Board may authorize the Managing / Executive Director for framing an internal policy for identifying and developing internal pool of talent for future leadership role in different department(s) / division in accordance with the requirement of such department(s) / division.
    - d. The Board shall review the succession policy periodically and if required, will make suitable changes in the policy keeping in view to the regulatory changes or changes due to business environment.

### **Policy for Remuneration of Director/KMP/Senior Management personnel**

#### **Remuneration for Executive and Whole time Directors**

The remuneration payable to the whole time directors shall be determined by the company as per the Articles of the company and the provisions of the Act and the rules made thereunder.

The remuneration so determined shall be proposed to the board for approval and shall be subject to the approval of the shareholders/central government as applicable, wherever required.

Increments to the remuneration shall be recommended by the committee to the board which shall be well within the slabs as approved by the shareholders for the whole time director.

### **Remuneration for Non-Executive and Independent Directors**

The remuneration to Non-Executive independent directors shall be as per the provisions of the Companies Act 2013. The amount of sitting fees 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.

### **Criteria for making payments to Non-Executive Directors:**

Criteria of making payments to Non-Executive Directors will be decided by the Board, it can be on the basis of:

- Contribution during the Meeting.
- Active Participation in strategic decision making.

### **Heads under which payments can be made**

Any fee/remuneration payable to the Non- Executive Directors of the Company shall be in following manner:

### **Sitting Fee**

Non- Executive Director(s) may receive remuneration by way of fee for attending meetings of the Board or Committee thereof or any other meeting as required by Companies Act, 2013 or other applicable law or for any other purpose whatsoever as may be decided by the Board.

### **Remuneration and Commission**

Under the Companies Act, 2013, Section 197 allows a company to pay remuneration to its Non- Executive Director(s) either by way of a monthly payment or at a specified percentage of the net profits of the company.

The Company is however not obligated to remunerate its Non- Executive Director(s).

Further, the section 197 of the Act provides that the remuneration payable to directors who are neither managing directors nor whole time directors, shall not exceed-

- (i) one percent of the net profits of the Company, if there is a managing or whole time director or manager,
- (ii) three percent of the net profits in any other case.

Additional commission, apart from remuneration referred above, may be paid to Non-Executive Directors as may be decided by the Board of Directors of the company from time to time, depending on the extra time and effort as may be devoted and contribution as may be made by the Non-Executive Directors.

### **Refund of excess remuneration paid**

If any such director draws or receives, directly or indirectly, by way of fee/remuneration any such sums in excess of the limit as prescribed or without the prior sanction of the Central Government, where it is required, he shall refund such sum to the company and until such sum is refunded, hold it in trust for the company. The company shall not waive the recovery of any sum refundable to it unless permitted by the Central Government.

### **Reimbursement of actual expenses incurred**

Non- Executive Director(s) may also be paid/reimbursed such sums either as fixed allowance and /or actual as fair compensation for travel, boarding and lodging and incidental and /or actual out of pocket expenses incurred by such Directors for attending Board/Committee Meetings.

The Nomination and Remuneration Committee is entrusted with the role of reviewing the compensation of Non- Executive Director(s).

### **Payment to Non- Executive Directors and Independent Directors**

The Company has no stock options plans and no payment by way of bonus, pension, incentives etc to its Non- Executives.

The Independent Director shall not be entitled to any stock option and may receive remuneration only by way of fees and reimbursement of expenses for participation in meetings of the Board or Committee thereof.

### **Remuneration to Key management personnel and Senior Management personnel**

The remuneration of the Key management personnel and senior management personnel shall be decided by the Human resource team of the company and shall be presented to the committee for its perusal and approval.

### **Disclosures**

Significant disclosures are required in the Directors report relating to the Remuneration of the Directors/Independent Directors/Key management personnel and the senior management personnel.

### **Conclusion**

The committee shall have authority to modify or waive any procedural requirements of this policy.

In the event of any conflict between the provisions of this Policy and provisions of the Act and Rules framed thereunder or any other applicable laws for the time being in force, the later shall prevail over the Policy.

This Policy or the relevant provisions of this policy shall be disseminated to all concerned employees of the Company and shall also be uploaded on the website of the Company.

The policy shall be amended as required from time to time in case of any changes in the Act and the rules made thereunder.