



NAVA BHARAT

## **REMUNERATION POLICY**

### **Preamble:**

This Policy covers the remuneration and other terms of employment for the Company's Executive Team. The remuneration policy for members of the Board and for Management aims at improving the performance and enhancing the value of the Company by motivating and retaining them and to attract the right persons to the right jobs in the Company.

### **1. The Objective:**

The object of this Remuneration Policy is to make the Company a desirable workplace for competent employees and thereby secure competitiveness, future development and acceptable profitability. In order to achieve this, it is imperative that the Company is in a position to offer competitive remuneration in all operational locations. Remuneration of executives and other key employees shall take into consideration the remuneration of other employees of the Company and thereby aim to secure coordinated and fair Remuneration Policy for the Company.

### **2. Nomination and Remuneration Committee:**

The Board of Directors appoints a Nomination and Remuneration Committee which shall consist of three members of the Board of Directors. The Committee shall work in accordance with a special mandate of the Board. The Nomination and Remuneration Committee shall be advisory to the Board of Directors and the Managing Director regarding terms of employment for the executives of the Company and setting a Remuneration Policy. The Committee shall also supervise that terms of employment of employees are in line with the Remuneration Policy.

### **3. Remuneration of the Board of Directors:**

The Promoter Directors should be paid a profit related commission apart from salary and perquisites. The Working Directors shall be paid a monthly salary, according to decision taken by the Annual General Meeting in that respect, as specified in the Act. The Board of Directors shall take into account the time spent by the Board Members on their duties, their responsibilities, as well as the operational and economical performance of the Company. Additional payments may be effected to individual Board Members for specific projects which cannot be classified as ordinary tasks for Board Members, as well as for work in Sub-Committees of the Board, as applicable subject to necessary approvals as per the Companies Act, 2013. Payments for such tasks shall be subject to

approval by the other Board Members. The Company shall secure immunity for the Board of Directors and the KMP for all claims that can eventually be made against them, connected to their work on behalf of the Company.

#### **4. Senior Executives – Terms of employment:**

The amount of basic salaries and other remuneration shall take into account education, working experience and previous employment. Other details of remuneration and other benefits, as well as terms of notice, shall be mentioned in the employment contract. Bonuses and stock incentives shall also be included in the employment contract, as specified in the Remuneration Policy.

When stipulating the period of notice for termination of the employment contract, the period may be directly related to the nature or duration of the employment of the Senior Executives. The employment contract shall also stipulate the terms of notice.

The basic salary of the Senior Executives shall be revised periodically and shall be based on evaluation of the performance of the Senior Executives, the development of salaries for similar positions in comparable companies and the general performance and operations of the Company.

The employment contract should include and stipulate all payments due to the Senior Executives upon termination of the contract.

#### **5. Incentives:**

The employees may be paid incentives or offered stock incentives, based on specific plans prepared by the Board of Directors. Incentives shall be directly related to the working performance of the individual employees, their status and responsibility, the economical performance of the Company, the achievements of certain operational goals, including reaching certain budget targets. Such incentives can only be paid out to employees who are still working for the Company or when the incentives are due for payment for the period of service.

#### **6. Stock Incentives:**

The Nomination and Remuneration Committee is authorized to make proposal to the Board of Directors, offering individual key employees of the Company stock incentives in the Company, in addition to the set terms in the individual employment contracts.

When evaluating whether key employees shall be offered stock incentives, the status and responsibilities, working performance and future prospects of each individual shall be taken into consideration. Such stock incentives can only be granted if the individuals are still working for the Company at the time when the incentives are awarded.

If the Board of Directors decides to offer stock incentives to key employees of the Company, a stock incentive plan shall be presented to shareholders meeting, for approval. The Board shall present to the Annual General Meeting the prescribed details of such stock incentive plan.

The Company shall enter into written stock incentive agreements with employees. The agreements shall always be subject to the conditions laid down in the relevant guidelines.

## **7. Terms of Reference:**

The terms of reference of the Nomination and Remuneration Committee, inter alia, consist of reviewing the overall compensation policy, service agreements, performance incentive and other employment conditions of Executive Director(s) and Senior Management Personnel.

The recommendations of the Nomination and Remuneration Committee are considered and approved by the Board of Directors, subject to the approval of the shareholders, wherever necessary. Additionally the Nomination and Remuneration Committee has been vested with the powers for administration of Remuneration policy:

- (a) The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
- (b) The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director from time to time. The Committee recommends to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and Other Employees.
- (c) The Nomination and Remuneration Committee, while formulating the policy under (b) above will ensure that:
  - i. 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.
  - ii. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - iii. 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.

Provided that such Policy shall be disclosed in the Board's Report.

The role and responsibilities of the position are the criteria for determining the qualification and positive attributes. The criteria for independence of independent directors are as specified under Section 149(6) of the Companies Act, 2013.

The Committee prescribes the details of qualifications, skills, etc., required as per the needs and also determines the remuneration with breakup at the time of appointment of Directors and all members of the Senior Management, one level below the Executive Directors including the functional heads.

The criteria for the appointment of directors, KMPs and senior management personnel are as follows:

A person for appointment as director, KMP or in senior management should possess adequate qualification, expertise and experience for the position considered for appointment. The Committee decides whether qualification, expertise and experience possessed by a person are sufficient for the concerned position. The committee ascertains the credentials and integrity of the person for appointment as director, KMP or senior management level and recommends to the Board his / her appointment.

The Committee, while identifying suitable persons for appointment to the Board, will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The Nomination and Remuneration Committee presently comprises three (3) Directors who are all independent.

The details of composition of the Nomination and Remuneration Committee along with attendance of the Committee Members at the meetings held during the year would be disclosed in the Annual Report of the Company.

## **8. Remuneration – General Principles:**

### **I. Guiding principles for remuneration and other terms of employment:**

The guiding principle is that the remuneration and the other terms of employment for the Executives shall be reasonable, adequate and competitive in order to ensure that the Company could attract and retain competent Executives.

The annual report of the Company also sets out details of the total remuneration and benefits allowed to the Senior Executives drawing a total remuneration of above Rs.60 lakhs per annum or such higher stipulated sum under the Companies Act, 2013.

The Nomination and Remuneration Committee considers a) the financial position and profitability of the Company; b) nature and responsibility of the position; and c) remuneration packages prevailing in industry or other organisations comparable in regard to the size and complexity of operations.

### **II. The principles for fixed salaries:**

The Executives' fixed salary shall be competitive and based on the individual Executive's responsibilities and performance.

- III. The principal terms of variable salary and incentive schemes, including the relation between fixed and variable components of the remuneration and the linkage between performance and remuneration:

The Executives may receive variable salaries in addition to fixed salaries.

The variable salary may be based on inter alia the performance of the Company or the Unit where the Executive is employed. The performance will be related to the fulfilment of various improvement targets or the attainment of certain financial objectives.

Such targets will be set by the Board and may relate to inter alia operating income, operating margin or cash flow. The Board may under certain conditions decide to cancel or limit variable salary to be paid to the Executives.

- IV. The principal terms of non-monetary benefits, superannuation, notice of termination and severance pay:

- a) Non-monetary benefits:

The Executives may be provided customary non-monetary benefits such as Company cars and Company health care or medical allowance. In addition thereto in individual cases Company housing and other benefits may also be offered.

- b) Long Term Incentives:

Long term incentives (“LTI’s”) may be provided to certain senior executives and eligible employees to reward creation of shareholder value, and provide incentives to create further value as well as to attract and retain executives.

The Company believes that the most significant value that can be created for shareholders will occur by way of Senior Executives’ delivering on the strategic outcomes and goals set by the Board from time to time.

- c) Additional Arrangements:

In addition to the main conditions of employment, a number of additional arrangements apply to members of the Board of Management. These additional arrangements, such as expense and relocation allowances, medical insurance, accident insurance and Company car arrangements are broadly in line with those of other competitive companies. In the event of disablement, the employees are entitled to benefits in line with other companies. They also benefit from coverage under the Company’s Directors and Officers (D&O) policies. The Company policy forbids personal loans to Non-Executive Directors and the loans to Working Directors would be as permitted by the Companies Act, 2013.

## 9. Performance Evaluation:

Legal Provisions:

1. Section 134(3)(p): The manner in which formal annual evaluation has been made by the Board of its own performance and that of its Committees and individual Directors shall be disclosed in the Board Report (self evaluation).
2. Section 178(2): The Nomination and Remuneration Committee shall carry out evaluation of every Director's performance.
3. Schedule IV appended to the Companies Act stipulates that the performance evaluation of Independent Directors shall be done by the entire Board of Directors excluding the Directors being evaluated.

On the basis of the report of performance evaluation it shall be determined whether to extend or continue the term of appointment of the Independent Director.

The re-appointment of Independent Director shall be on the basis of report of performance evaluation.

The role and responsibilities of the Committee shall be as delineated in Part D, Para A of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Regulation 19(4) and 20(4) of the Regulations.

Criteria for evaluation of Independent Directors and Board:

Performance indicators for evaluation:

Independent Directors have three key roles – governance, control and guidance. Some of the performance indicators based on which the Independent Directors may be evaluated are:

- Ability to contribute to and monitor corporate governance practices.
- Ability to contribute by introducing international best practices to address top management issues.
- Active participation in long term strategic planning.
- Commitment to the fulfilment of a director's obligations and fiduciary responsibilities-

Attendance: The performance evaluation of Independent or non-executive members is done by the Board annually based on criteria of attendance and Contributions at Board/Committee Meetings as also for the role played other than at Meetings.

Criteria formulated by Nomination Committee for evaluation of Independent Directors and Board Committees and Individual Directors:

In line with corporate governance guidelines, evaluation of all Board Members is done on an annual basis. This evaluation is done by the entire Board lead by the Chairman of the Board with specific focus on the performance and effective functioning of the Board, Committees of the Board and individual Directors and report the recommendation to the Board. The evaluation process also considers the time spent by each of the Board Members, core competencies, personal characteristics, accomplishment of specific responsibilities and expertise.

**10. Authority to decide on deviations from this Policy:**

The Board of Directors may deviate from this Policy if there are reasons to do so in individual cases.

*This Policy was reviewed by the Board of Directors and modified on 30<sup>th</sup> May 2016 in the light of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.*

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