
Nayara Energy Limited

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Policy for appointment, remuneration, training and evaluation of Directors and Employees



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1. General

- 1.1 The Companies Act, 2013 requires the Company to formulate the criteria for determining qualifications, positive attributes and independence of directors. The Company is also required to adopt a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

 - 1.2 To meet these objectives, the policy on appointment, remuneration, training and evaluation of directors has been adopted by the Board of Directors on September 30, 2014 which has been revised from time to time. For revisions please refer to Revision history.
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2. Selection, identification and appointment of Directors

2.1 The Nomination and Remuneration Committee is responsible for evaluating the qualifications of each director candidate and of those directors who are to be nominated for election by shareholders at each General Meeting of shareholders, and for recommending duly qualified director nominees to the full Board for election. The qualification criteria set forth herein are designed to describe the qualities and characteristics desired for the Board as a whole and for Board members individually.

2.2 Director Selection Procedures

2.2.1 A shortlist of prospective candidates for election to the Board based on directors qualification criteria will be prepared by the Company based on candidates (a) recommended by professional search agency to be appointed for the purpose or (b) referrals received by the Company from internal and/or industry sources.

2.2.2 For each shortlisted director candidate considered for election to the Board, the Nomination and Remuneration Committee shall evaluate each director candidate and recommend to the Board any duly qualified director candidates.

2.2.3 As stated in 2.2.1 above, to aid in the short listing and screening process the Nomination and Remuneration Committee may take the support of professional agencies, conduct interviews or have a personality check undertaken or take any other steps to ensure that the right candidates are identified.

2.2.4 A determination of a director's qualifications to serve on the Board shall be made by the Board, upon the recommendation of the Committee, prior to nominating said director for election at the Company's next General Meeting.

2.2.5 Appointment of all Directors, other than directors appointed pursuant to nomination by Financial Institutions under section 161(3) of the Act will be approved by shareholders at a general meeting or through postal ballot.

2.2.6 The Company shall issue a formal letter of appointment to independent directors in the manner as provided in Paragraph IV(4) of Schedule VI the Act.

2.3 Director qualification criteria

2.3.1 The director candidates should have completed the age of 21 years. The maximum age of executive directors shall not be more than 70 years at the time of appointment / re-appointment. However a candidate who has attained the age of 70 years may be appointed if approved by shareholders by passing of special resolution.

2.3.2 The Board has not established specific education, years of business experience or specific types of skills for Board members, but, in general, expects qualified directors to have ample experience and a proven record of professional success, leadership and the highest level of personal and professional ethics, integrity and values.

2.3.3 The candidate to be appointed as Director shall have a Director Identification Number allotted under section 154 of the Companies Act, 2013 (Act).

2.3.4 A person shall not be eligible for appointment as director of the Company if:

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- 2.3.4.1 He is disqualified for being appointed under section 164 of the Act.
 - 2.3.4.2 The number of directorships post appointment as Director in the Company exceed the total number of directorships in Indian companies permitted under section 165 of the Act.
 - 2.3.5 In addition any person to be appointed as a Managing Director or whole time director in the Company (hereinafter referred to as 'Executive Directors') for being eligible for appointment shall have to meet the requirements setout in Part I of Schedule V of the Act.
 - 2.3.6 Further, while selecting Independent Directors:
 - 2.3.6.1 the Company may select the candidate from data bank(s) containing names, address, qualification of persons who are eligible and willing to act as Independent Directors maintained by anybody, institute or association as may be notified by the Central Government having expertise in creation and maintenance of such data bank.
 - 2.3.6.2 The prospective candidates for appointment as Independent Directors shall have to meet the criteria of Independence laid down in sub-section (6) of section 149 of the Act
 - 2.3.7 In the process of short listing Independent Directors, the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.

2.4 Tenure in office

- 2.4.1 The appointment of all directors by the Board except for directors appointed under section 161(3) of the Act shall be up to the date of the next Annual General Meeting and shall be subject to approval of shareholders at the Annual General Meeting unless approved by the shareholders earlier.
 - 2.4.2 The Executive Directors shall be appointed for a term of up to 5 years.
 - 2.4.3 Subject to the provisions of the Act and Article 75A and other applicable Articles of the Articles of Association of the Company all Executive Directors the Managing Director & CEO and all Non-Executive Directors other than the Independent Directors and Directors nominated by Financial Institutions / Bankers shall be liable to retire by rotation.
 - 2.4.4 Independent Directors shall hold office for a term of up to 5 consecutive years on the Board of the Company but shall be eligible for reappointment for a second term on passing of a special resolution by the Company.
 - 2.4.5 Independent Directors shall not hold office for more than 2 consecutive terms. Each such term may be of 5 years or less.
 - 2.4.6 After expiry of the 2 terms, the Independent Director would be eligible for appointment only after expiry of 3 years from ceasing to being an ID.
 - 2.4.7 While appointing the Independent Directors, the Board shall decide the term in office of the Independent Directors which may vary depending on the age of the candidate, the professional background, the outcome of evaluation of the individual Director and the Committees of which he is a member.
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3. Criteria for appointment of Senior Management Executives

- 3.1 Senior Management executives and Key management personnel shall be appointed as per the process set out in the Governance Manual adopted by the Company.
 - 3.2 The Management Committee of Executives is responsible for evaluating the qualifications of each senior management executive candidate other than candidates who are to be appointed as Key managerial personnel. The Nomination and Remuneration Committee is responsible for evaluating the qualifications of each candidate for being appointed as Key Managerial Personnel.
 - 3.3 The qualification criteria shall be as per the HR policies adopted by the Company from time to time and the job description of each individual Senior Management executive.
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4. Remuneration

- 4.1 All remuneration / fees / compensation, payable to directors shall be fixed by the Board of Directors and payment of such remuneration fees / compensation shall require approval of shareholders in general meeting except for sitting fee payable to Non-Executive Directors for attending Board / Committee.
- 4.2 The Board shall decide on the remuneration / fees / compensation, payable to directors based on the recommendations of the Nomination and Remuneration Committee.
- 4.3 The total managerial remuneration payable, to its directors, including managing director and whole-time director, (and its manager) in respect of any financial year shall not exceed eleven per cent of the net profits of the Company for that financial year computed in the manner laid down in section 198 of the Act. Provided that the Company in general meeting may, with the approval of the Central Government, authorise the payment of remuneration exceeding eleven per cent. of the net profits of the Company, subject to the provisions of Schedule V of the Act:
- 4.4 The Nomination and Remuneration Committee shall ensure the following while recommending the remuneration / fee / compensation payable to Directors:
- 4.4.1 Executive Directors
- 4.4.1.1 The remuneration payable to any one managing director; or whole-time director or manager shall not exceed five per cent of the net profits of the Company and if there is more than one such director remuneration shall not exceed ten per cent of the net profits to all such directors and manager taken together. Else the remuneration will be subject to approval of central government as may be required.
- 4.4.1.2 In case of inadequacy of profits mentioned in 3.3 and 3.4.1.1 above, The Committee while approving the remuneration for executive directors
- 4.4.1.2.1 take into account, financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, etc.
- 4.4.1.2.2 be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.
- 4.4.2 While considering payment of remuneration / increase in remuneration payable to executive directors, key managerial personnel and other executives, the Nomination and Remuneration Committee may among other factors consider the following:
- 4.4.2.1 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
- 4.4.2.2 relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- 4.4.2.2.1 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.
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- 4.4.2.2.2 the factors mentioned in The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, may be considered, which are required to be disclosed in the Directors' Report.
- 4.4.3 Non executive Directors including Independent Directors
- 4.4.3.1 The remuneration payable to Non Executive Directors shall not exceed 1% of the net profits of the Company.
- 4.4.3.2 A Non-Executive director may be paid remuneration by way of fee for attending meetings of the Board or Committee thereof or for any other purpose whatsoever. The amount of such fee shall not exceed Rs. 1,00,000 for attending each meeting of the Board or Committee thereof or such higher amount as may be prescribed by the Central Government.
- 4.4.3.3 The Non-Executive Directors including Independent Directors and excluding nominees appointed by Financial Institutions / Banks will be entitled to receive commission which shall not exceed 1% of net profits of the Company computed in accordance with the provisions of section 198 of the Act, for the respective financial years, on pro-rata basis for their tenure in office during the financial year. The quantum of such commission to be paid individually to each Non Executive Director as stated above, will be decided based on the decision of the Board or the Nomination and Remuneration Committee.
- 4.4.3.4 An independent director shall not be entitled to any stock option.
- 4.5 The remuneration of employees shall be based on compensation framework to be finalized by the Nomination and Remuneration Committee.
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5. Training

- 5.1 The Company shall provide suitable training to independent directors to familiarize them with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc.
 - 5.2 Every new Director, on appointment,
 - 5.2.1 Will be provided with an Induction Manual
 - 5.2.2 Will undertake an induction programme. It will provide an opportunity to the inductee to interact with the senior management team and help understand the strategy, operations, products, markets, organization structure, finance, human resources and risk management among others.
 - 5.2.3 will undertake visit to the Company's key manufacturing facilities to familiarize them with the Company's operations.
 - 5.2.4 Will be guided by the Company Secretary on the role and responsibilities of directors, the constitution and role of the Board and its Committees, the frequency of meetings and time commitment expected from them, decision making process being followed and compliance monitoring and reporting processes.
 - 5.3 On an ongoing basis training will be provided to directors to update on developments in industry, technology and statutory, regulatory, economic environment, new accounting policies, corporate governance developments etc. Specific training requirements of directors will also be met depending on the role and responsibilities they have to take up in the Company and the performance evaluation. Training will be imparted to directors through participation in conferences, seminars and workshops. The Company may also organize for training programmes conducted by internal / external faculty.
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6. Performance evaluation and reappointment

6.1 The Board will annually evaluate its performance through a self-evaluation process. The evaluation identifies enhancements to director skill sets and ensures that board members are performing to expectations.

6.2 Evaluation review process

6.2.1 The Nomination & Remuneration Committee will annually oversee a review of the Board's performance, which shall include a self-evaluation by the Board, and will discuss the results of this review with the full Board following the end of each fiscal year.

6.2.2 Evaluation of the Board and Committees thereof – formal annual evaluation has to be made by the Board of its own performance and that of its Committees.

6.2.3 Evaluation of Chairman - A separate meeting of Independent Directors will review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors. They will forward their recommendations to the Nomination and Remuneration Committee.

6.2.4 Other Non-Independent Directors - The Independent Directors will also review the performance of non-independent directors and the Board as a whole and submit their recommendations to the Nomination and Remuneration Committee.

6.2.5 Executive Directors - The Nomination and Remuneration Committee conducts an annual review of the performance of the wholetime directors against the Company's goals and objectives based on Balanced Scorecard methodology. The evaluation of executive directors and other employees will be guided by the process to be finalized by the Nomination and Remuneration Committee from time to time.

6.2.6 Independent Directors - The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated).

6.2.7 A statement indicating the manner of formal annual evaluation of the Board, its Committees and individual directors will be made will be included in the Report of the Board of Directors each year.

6.3 Criteria for evaluation

6.3.1 Evaluation of Board as a whole

The Independent Directors and the Nomination and Remuneration Committee while undertaking board evaluation will decide on the criteria of evaluation of the Board and its Committees which among others may include:

6.3.1.1 the extent to which the Board and its Committees are successful in fulfilling their key roles and responsibilities.

6.3.1.2 the extent to which individual directors contribute to the achievement of these objectives.

6.3.1.3 the extent to which the Board and its Committees adhere to best practices in structure and procedure.

6.3.1.4 the Committee will consider the balance of skills, experience, independence and knowledge requirements at Nayara Energy Ltd. Board , how the Board works together as a unit, and other factors relevant to its effectiveness.

6.4 Non Executive Directors

6.5 The criteria for evaluation shall be determined by the Nomination and Remuneration Committee and disclosed in the Company's Annual Report. However, the actual evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board / Committees. An indicative list of factors that may be evaluated as part of this exercise is :

6.5.1 Participation in meetings and contribution by director

6.5.2 Commitment including guidance provided to senior management executives outside of Board / Committee meetings

6.5.3 Effective deployment of expertise and knowledge

6.5.4 Effective management of relationship with stakeholders

6.5.5 Integrity and maintenance of confidentiality

6.5.6 Independence of behavior and judgement

6.5.7 Impact and influence.

6.6 Executive Directors

6.6.1 Balance Score Card is derived from Annual Business Plan and goals are aligned and cascaded across the organization, and linking to every Executive Director's performance. Assessment parameters will be defined for each of the goals and performance will be measured against the goals at the end of each financial year. The compensation will be finalized by the Nomination and Remuneration Committee based on evaluation of the individual director and the performance of the Company.

6.7 **Structure of evaluation process**

6.7.1 The structure of the evaluation process will be finalized by the Nomination and Remuneration Committee either on its own or by engaging the services of external consultants.

6.7.2 Each board evaluation may have slight differences in focus, priority and outcomes but will broadly follow a similar approach.

6.7.3 Board evaluation to be finalized by the Nomination and Remuneration Committee may cover the following areas :

6.7.3.1 Briefing of the Board

6.7.3.2 Gathering of evidence using a questionnaire

6.7.3.3 Drafting of Board evaluation report

6.7.3.4 Discussion of the Board evolution report by the entire Board

6.7.3.5 Meetings between the Chairman and individual directors to discuss individual director evaluation

6.7.3.6 Determination of Board development strategy

6.8 Reappointment of Directors

6.8.1 The reappointment of directors will not be automatic.

6.8.2 Before the expiry of term in office on account of retirement by rotation of Non Executive Non Independent Directors or the completion of term in office of the Executive Directors or Independent Directors, the Nomination and Remuneration Committee will make recommendations to the Board.

6.8.3 In determining whether the directors should be submitted to reappointment, the Nomination and Remuneration Committee should:

6.8.3.1 Consider extending or continue the term of appointment of the Directors on the basis of performance evaluation;

6.8.3.2 Assess the current Board's skills and qualities;

6.8.3.3 The needs of the Company's business currently and going forward;

6.8.3.4 Measure the retiring directors' skills against the selection criteria set by the Nomination and Remuneration Committee.

6.8.4 The directors eligible to retire by rotation shall be determined based on the provisions of section 152 of the Act,

6.8.5 Shareholders' approval for reappointment of Executive Directors shall not be taken more than 1 year before expiry of their present term.

6.9 Disclosure

Summary of results of performance evaluation of the Board shall be disclosed in the Annual Report and re-appointment of Independent directors shall be basis the outcome of such evaluation.

7. Mechanism for evaluation of Board, Chairman and Directors

- 7.1 An External Agency, as may be appointed to lead the performance evaluation process. The Agency shall circulate questionnaire to the Directors, seek their responses, have individual discussions with the directors and compile the feedback of the directors.
 - 7.1.1 The evaluation of the Board as a whole shall be done by all the directors.
 - 7.1.2 The evaluation of the Directors shall be done by the entire Board excluding the director being evaluated
 - 7.1.3 The evaluation of performance of the Chairman shall be done by the Independent Directors taking into account the views of the Executive Directors and the Non-Executive Directors.
 - 7.2 The performance evaluation shall be undertaken based on the feedback provided by Board members as per questionnaire to be approved by the Nomination and Remuneration Committee
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