



Avadh Rail Infra Ltd.

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Nomination and Remuneration Policy

Preamble

Avadh Rail Infra Limited ("The Company") has formulated this Nomination and Remuneration Policy ("Policy") in terms of Section 178 (3) of the Companies Act, 2013 and rules made thereunder and any amendments thereof ("Act") and based on the approval of Board and recommendation of Nomination and Remuneration Committee ("NRC"/"Committee").

Objectives of this Policy are to:

- define processes which enable identification of individuals who are qualified to become Director of the Company and who may be appointed as Key Managerial Personnel ("KMP") and/or in Senior Management and recommend to the Board their appointment (including remuneration payable, in whatever form) and removal from time to time;
- formulate the criteria for determining qualifications, competencies, positive attributes and independence for Director; and
- determine remuneration of Directors, KMP, Senior Management and other employees, keeping in view all relevant factors including industry trends and practices, reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company.

Definitions

- a) **'Board'** means Board of Directors of the Company.
- b) **'Director'** means executive, non-executive and independent director of the Company.
- c) **'Group Companies'** means domestic and foreign subsidiary and associate companies including step down subsidiary companies of the Company.
- d) **Key Managerial Personnel ("KMP")** in relation to Company means:
 - i) Chief Executive Officer or Managing Director;
 - ii) Chief Financial Officer;
 - iii) Company Secretary;
 - iv) Whole-time Director
- e) **'Senior Management'** personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act shall have the meaning respectively assigned to them therein.



Appointment of Directors

The Committee shall be responsible for identifying a suitable candidate for appointment as Director of the Company and recommend the same to the Board.

While evaluating a person for appointment/ re-appointment as a Director, the Committee shall consider and evaluate following factors:

- proposed director shall possess the highest ethics, integrity and value;
- have relevant professional experience & functional expertise;
- background (professional, cultural and geographical), knowledge, skills, ability to exercise sound judgement, personal accomplishments, positive attributes;
- nationality, gender, age, experience and understanding of the sector, industry, marketing, technology, finance and other disciplines relevant to the business.

In designing the Board's composition, Board diversity shall be considered. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

An independent director may be selected from a data bank containing names, addresses and qualifications of persons who are eligible in terms of the provisions of the Act and willing to act as an independent director, maintained by any body, institute or association, as notified by the Central Government.

Appointment of Managing Director to be ensured in terms of the provisions of the Act.

Necessary evaluation of the performance of each of the directors to be carried out by the Committee and the Board based on the approved evaluation criteria.

The Company shall periodically organise sessions for directors (non-executive and independent directors), to apprise them with the business operations of the Company and to also let them know their roles, rights and responsibilities in the Company to enable them to make effective contribution.

Remuneration/Compensation of non-executive and independent directors

Non-executive and independent directors ("NEDs") shall be paid remuneration by way of sitting fees and/or commission. In case of loss or inadequate profit, during any financial year, NEDs may receive compensation for the services rendered subject to the compliance of applicable provisions of the Act and Articles of Associations of the Company. The quantum and frequency of the remuneration / compensation to the NEDs shall be determined by the Board based on the recommendations of Committee.



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The sitting fees payable to NEDs for attending the Board and committee meetings shall be fixed, subject to the statutory ceiling. The fee shall be reviewed periodically and aligned to comparable best in class companies.

The directors (except independent directors) of the Company and/or its Group Companies shall be eligible to receive stock options under the stock option scheme ("ESOPs") of the Company.

NEDs are entitled to be paid all travelling and other expenses they incur for attending to the Company's affairs, including attending meetings of the Company.

The remuneration payable by the Company to NEDs shall be subject to the conditions specified in the Act including in terms of monetary limits, approval and disclosure requirements.

Remuneration of Executive Director

The compensation paid to the executive directors (including managing director and wholetime directors) shall be within the scale approved by the members of the Company. The elements of the total compensation, approved by the Committee shall be within the overall limits specified under the Act.

The elements of compensation of executive director include the elements such as Basic Salary HRA, Transport allowance, Medical Allowance, Other Allowances, etc., as may be approved by the Board based on the recommendation of the Committee.

The NRC shall determine the annual variable pay compensation in the form of annual incentive and annual increment for the executive director based on Company's and individual's performance as against the pre-agreed objectives for the year.

The executive directors, except for promoter directors, shall also be eligible for ESOPs as per the ESOP scheme in force from time to time. Grants under the ESOP scheme shall be approved by the NRC.

In case of inadequacy of profit in any financial year, the remuneration payable to the executive directors shall be further subject to the relevant provisions of the Act.

Executive directors shall not be paid sitting fees for any Board / committee meetings attended by them.



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The remuneration payable by the Company to executive directors shall be subject to the conditions specified in the Act including in terms of monetary limits, approval and disclosure requirements.

Appointment of KMP or Senior Management

NRC shall identify and recommend to the Board, persons who may be appointed as KMP or Senior Management.

While evaluating a person for appointment/ re-appointment as KMP or Senior Management, the Committee shall consider and evaluate following factors:

- possesses the highest ethics, integrity and value;
- have relevant professional experience & functional expertise;
- background (professional, cultural and geographical), knowledge, skills, ability to exercise sound judgement, personal accomplishments.

The Committee shall also review attrition/ terminations/ replacements/ severance of employments of KMP or Senior Management.

Remuneration of KMP, Senior Management & other employees

The Company's total compensation for KMP, Senior Management and other employees ("Employees") may consist of:

1. Fixed compensation
2. Variable compensation in the form of performance bonus
3. Benefits
4. Work related facilities and perquisites.

In addition, selected executives may be eligible for long-term incentive plan in the form of ESOPs, as per the ESOP scheme in force from time to time. Grants under the ESOP scheme shall be approved by the NRC.

Fixed compensation shall be determined on the basis of size and scope of the job typically as reflected by the level or grade of the job, trends in the market value of the job and the skills, experience and performance. Fixed compensation shall include basic salary, housing allowance, leave travel allowance and other allowances.

Based on the grade and seniority, Benefits for Employees may include:

1. Housing



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2. Travel/vacation costs for the executive & his/her family
3. Health insurance
4. Accident and life insurance
5. Retirement benefits
6. Contribution to statutory benefits such as provident fund account, gratuity, etc.

The Employees may also be eligible to receive variable pay in terms of the Company policy.

Employees shall also be eligible for work related facilities and perquisites as may be determined through human resources policies issued from time to time based on the grade of the Employees.

A formal annual performance management process shall be applicable to all Employees including KMP and Senior Management. Annual increase in fixed compensation of individual executives shall be directly linked to the performance ratings of individual.

Overall compensation shall be subject to periodic reviews which takes into account their performance, as well as factors such as affordability based on the Company's performance and the economic environment.

Employees may be eligible for severance payments in accordance with the termination clause in their employment agreement subject to applicable regulatory requirements.

Committee Members Interest

A member of the Board/NRC and KMP shall not be entitled to participate in the discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated.

The NRC may invite such executives, as it considers appropriate, to be present at the meetings of the NRC.

Adoption, Changes and Disclosure of Information

This Policy is framed based on the provisions of the Act. In case of any subsequent changes in the provisions of the Act, which makes any of the provisions of this Policy inconsistent with the Act, then the provisions of the Act would prevail over the Policy.

The Company Secretary is authorized to amend this Policy to give effect to any such changes / amendments and the amended Policy shall be placed before NRC and the Board for noting and ratification / approval.



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Policy may be reviewed at such intervals as the Board or NRC may deem necessary.

Dissemination of Policy

This Policy shall also be posted on the website of the Company at www.avadhrail.com and the salient features of the Policy and the changes therein, if any, with the web address of the Policy shall be disclosed in the report of Board of Directors of the Company.