

COMPANY'S POLICY ON REMUNERATION FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

1. PURPOSE

At Kalpataru Power Transmission Limited (hereinafter referred to as "KPTL"), Management is committed to conducting its business in accordance with the applicable laws, rules and regulations and with the highest standards of business ethics and employee relations.

A transparent, fair and reasonable process for determining the appropriate remuneration at all levels of the Company is required to ensure that Shareholders remain informed and confident in the management of the Company. The Company also understands the importance of attracting and maintaining high quality individuals from directors right through to support staff.

This remuneration policy is being positioned on the basis of overall assessment of the size of the company, future prospect, organization structure and complexity of its activities. The purpose is to have a remuneration policy that is consistent with and promotes sound and effective risk management, and which is aligned with the Company's strategy, values and goals and the interests of stake holders and investors.

The Nomination and Remuneration Committee has developed this policy keeping in view the following aspects.

- (a) The level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate directors and employees of the quality required to run the company successfully.
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- (c) Maintain appropriate balance between fixed and incentive pay in remuneration to directors, key managerial personnel and senior management reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- (d) Align the growth of the Company and development of employees and accelerate the performance.
- (e) To motivate and retain the quality employees and attract other highly qualified executives to enter into KPTL's service, when require.
- (f) To give a rational and fair treatment to employees, and to recognize importance of every one with team spirit and enhancing the value of human wealth.
- (g) To create a transparent system of determining the appropriate level of remuneration throughout all levels of the Company.
- (h) Encourage people to perform to their highest level.
- (i) Allow the Company to compete in each relevant employment market.
- (j) Provide consistency in remuneration throughout the Company.
- (k) Align the performance of the business with the performance of key individuals and teams within the Company.

2. DEFINITIONS

- (a) "**Board**" means Board of Directors of the Company for the time in force.

- (b) **“Company”** or **“KPTL”** means “Kalpataru Power Transmission Limited”, having CIN L40100GJ1981PLC004281, and registered office at 101, Part III, G.I.D.C. Estate, Sector – 28, Gandhinagar – 382 028, Gujarat, India
- (c) **“Committee”** or **“NRC”** means “Nomination and Remuneration Committee” of the Board of the Company, as may be reconstituted by the Board and as may be subsist from time to time.
- (d) **“Director”** means person appointed as Director on the Board of the Company pursuant to the applicable provision of the Companies Act 2013 and includes independent Directors of the Company.
- (e) **“Division”** or **“Business Unit”** or **“Department”** means every division of the Company viz Transmission Line (Domestic), Transmission Line – International, Railway, Biomass, Infra, ‘Accounts, Finance, Taxation, Secretarial and Legal’, P&M, Information Technology (IT), HR & Admin, Quality Management & MR, Procurement, Development, Health and Safety (EHS), Contracts, Business Development, BOT Projects, and also includes Division as renamed and new Divisions setup from time to time.
- (f) **“Department Head”** or **“Functional Head”** or **“Business Unit Head”** or **“BU Head”** means Employee of the Company who are designated as such or in charge of one or more Department or Business Units and person who are designated as Head for the time being, by the Executive Director or CEO.
- (g) **“Executive Director”** means person appointed as Whole-time director, Executive Director, Managing Director, Deputy Managing Director and Joint Managing Director and holding office as such pursuant to the applicable provision of the Companies Act 2013.
- (h) **“Employees”** Employees means and includes person who is confirmed for full time employment of the Company time to time.
- (i) **“Key Managerial Personnel”** or **“KMP”** means person as defined in the Companies Act, 2013 and as appointed and in employment of the Company as a Chief Executive Officer or Managing Director or Manager, Whole Time Director, Chief Financial Officer and Company Secretary.
- (j) **“Remuneration Policy”** or **“this Policy”** means this Policy for remuneration of Directors, KMP and employees of the Company as set out hereby, recommended by the Committee and approved by Board of KPTL, as amended from time to time.
- (k) **“Senior Management”** means personnel in employment of the Company who are members of core management team excluding Board of Directors and normally this shall comprise all members of management one level below chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer..
- (l) **“Steering Committee”** means Committee comprising of Managing Director & CEO, Executive Director, Chief Financial Officer, President (HR & Admin) & respective BU Head

Unless the context require otherwise, words importing the singular include the plural and *vice versa* and pronouns importing a gender include each of the masculine, feminine and neuter genders and shall be interpreted in the wide sense in spirit of this Policy.

3. EFFECTIVE DATE OF THE POLICY

The Nomination and Remuneration Committee has approved this Policy in its meeting held on 28th March, 2015 and the Board has approved this Policy in its meeting held on 28th March, 2015.

This Policy shall come in to effect from 28th March, 2015.

The first amendment to this Policy was carried out by the Board of Directors at its meeting held on 22nd March, 2019 to be effective from 1st April, 2019 at the recommendation of Nomination and Remuneration Committee

This policy is framed and amended as per requirement of Section 178 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ((as amended by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 to be effective from 1st April, 2019)) (erstwhile as required under Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges).

4. NOMINATION AND REMUNERATION COMMITTEE

The Board has constituted the Nomination and Remuneration Committee of the Board presently comprising of 3 directors including 2 independent Director. Existing remuneration committee has been renamed and reconstituted pursuant to the provision of the Companies Act 2013 and Listing Agreement. The NRC are playing statutory and consultative role in building appropriate remuneration structure in the Company keeping in view recognition and appreciation of experience, expertise, advise, efforts and contribution provided by the Directors, KMP, Senior Management and dedication of Employees. While strategize the remuneration structure, the Committee would also considers that composition of remuneration needs to be reasonable and sufficient to attract, retain and motivate Directors and senior management of the quality required to run the Company successfully.

In its consultative role and guiding force, the Committee will provide its recommendations to the Board in respect to matter and tasks as may be assigned by the Board time to time. The Committee may recommend to the Board as how to effectively structure and facilitate a remuneration strategy, which will meet the needs of the Company and advice changes if any required to this Policy.

5. MONITORING AND IMPLEMENTATION OF THIS POLICY

The Committee implements and monitors this Policy. The Committee may take assistance of HR Head, HR team and Senior Management as may be necessary in respect to implement and review of this Policy. The Committee may seek attendance of Department Heads and obtain relevant data, details and analysis as the Committee may think necessary. The Committee may also consult the experts' advice wherever they deem necessary in discharge of their duty.

6. REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Company follow the following structure in respect to remuneration of Non-Executive Directors (NEDs) and are paid remuneration by way of Commission and Sitting Fees within the overall statutory limits prescribed in the Companies Act, 2013 and rules prescribed in that regards.

The distribution of Commission amongst the NEDs is placed before the Board. The Commission is distributed on the basis of their attendance and contribution at the Board and certain Committee Meetings, as well as time spent on operational matters other than at the meetings.

6.1 Sitting fees

The Non-Executive Directors are paid Sitting Fees. The Company pays sitting fees of Rs. 75,000/- per meeting to the NEDs for attending the meetings of the Board and Rs. 25000/- for attending meeting of the Audit Committee, Nomination & Remuneration Committee, Stakeholders Relationship Committee, CSR Committee and Risk Management Committee.

6.2 Reimbursement of expenses

The Company also bear / reimburse travelling and other expenses to outstation Directors for attending meetings and expenses in relation to attending matters or business of the Company.

6.3 Remuneration

The Company may upon passing of resolution by the Board of Directors of the Company consider payment of remuneration to Non-Executive Directors by way of commission as a percentage of profits on an annual basis, pursuant to the applicable provision(s) of the Companies Act 2013 and rules made thereto, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (erstwhile Listing Agreement) and approval of shareholders of the Company. The Commission would be at a rate not exceeding 1% or 3% per annum of the profits of the Company, as may be applicable to the Company, as per the provision of the Companies Act 2013 and as approved by shareholders from time to time.

On recommendation of the Committee, the Board may consider appropriate additional remuneration to such Non-executive Director who has devoted considerable time and efforts in relation to business and matters of the Company. Said remuneration would be within overall limit of commission or remuneration to Non-executive directors and to the extent permitted under the law. If there will be any proposal from the Board, the Committee may recommend different remuneration / fees for different class of Directors, keeping in view the requirement of the Company and statutory provisions.

Effective from 1st April, 2019, the approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

6.4 In case of no profit or inadequate profit

As per the provision of the Companies Act and rules related thereto

6.5 Review of remuneration of Non-Executive Directors

The Committee shall evaluate the remunerations of Non-executive Directors at such interval as it thinks appropriate or as may be requested by the Board time to time. While recommending to the Board for restructure or increase in remuneration of Non-Executive Directors, the Committee shall keep in view the following factors in seriatim weightage.

- a) Financial performance and net-worth of the Company as per audited financial statement for last 3 financial years.
- b) Value of order book position and operational performance track in last two years.
- c) Performance of the Board as whole considering the evaluation of the Board done by Independent Directors.
- d) Diversity and composition of Board considering experience, expertise, technical knowledge and skills relating to business and future plan of the Company, position held in other organizations and directorship in other companies.

7. REMUNERATION OF EXECUTIVE DIRECTORS

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and profit linked commission and/or performance incentives (variable component) to Executive Directors of the Company. The remuneration to executive directors is as approved by shareholders of the Company. The Board proposes to shareholders the remuneration including appropriate mix of fixed and variable components and other terms for appointment of the Executive Directors, considering qualifications, experience, technical skills, requirement of the

Company and prevailing market conditions. While determining the remuneration proposal, the Board also considers the recommendation of the Nomination and Remuneration Committee.

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the fees or compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if-

- the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or
- where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the listed entity:

Provided that the approval of the shareholders under this provision shall be valid only till the expiry of the term of such director.

Explanation: For the purposes of this clause, net profits shall be calculated as per section 198 of the Companies Act, 2013.

7.1 Fixed Component

The Executive Directors are paid remuneration by way of monthly salary / fixed component, as per preapproved terms.

7.2 Variable Component

The Executive Directors are also paid remuneration by way of incentive / commission as percentage of profit of the Company as per audited financial statement, within range as approved by the shareholders. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the Nomination and Remuneration Committee, subject to overall ceilings and applicable statutory provision stipulated in Section 197 of the Companies Act 2013 and other applicable provisions as may be applicable time to time.

Amount payable to Executive Director is determined based on appointment terms, performance criteria as the Board may considers appropriate keeping in view the performance of the Company for relevant financial year in terms of the turnover and net profits, cash profit, performance and contribution by particular Executive Director, achievements, critical projects performance, remuneration paid in previous year, industry standard, and other factors as the Board may think appropriate. The Board also considers the recommendation from Nomination and Remuneration Committee.

7.3 Facilities

The Company shall provide such facilities as may be necessary in relation to perform his office duties and to attend operation and business of the Company.

Remuneration paid to the Directors is mentioned in the Annual Report of the Company.

7.4 Remuneration in case of no profit or inadequate profit

In case, there will be no profit or inadequate profit in any financial year, remuneration to Executive Directors will be as per the appointment terms and determined by the Board, subject to applicable provision of the Companies Act 2013 / applicable law.

8. STOCK OPTIONS TO EMPLOYEES / DIRECTORS

As and when desirable or requested by the Board, the Committee will perform function in respect to devising / monitoring Employees Stock Schemes and give its recommendation about allotment of sweat equity shares, grant, vest and exercise of stock options and/or similar rewards to the eligible Directors and Employees, as may be permitted under the applicable Law or approved Schemes.

9. PECUNIARY RELATIONSHIPS OR TRANSACTIONS

The Independent Directors of the Company do not have any pecuniary relationships or transactions with the Company or its Holding Company, subsidiary Companies, Associate Companies or their promoters or directors except receiving Directors' Remuneration in a manner prescribed in Section 197 of the Companies Act, 2013 or having transaction not exceeding ten per cent. of his / her total income or such amount as may be prescribed under the Companies Act, 2013 from time to time.

10. REMUNERATION OF SENIOR MANAGEMENT

The remuneration of senior management would be guided by the external competitiveness and internal parity through annual benchmarking surveys. The remuneration structure is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, PF etc. The variable component comprises annual performance of the Individual performance of employee, Business and Company's performance as a whole.

10.1 Review of Remuneration of Senior Management

The Nomination and Remuneration Committee will review the remuneration of the Senior Management and recommend the same for approval of the Board.

Internally, performance of Individual shall be assessed based on his KRA achieved. Variable Pay increase will be calculated using a combination of individual performance, Business Performance and organizational performance. Compensation shall also be determined based on identified skill sets critical to success of KPTL. As per prevailing process and practice of the Company, the Committee may recommend about increase, restructure and/or other suggestion in respect to remuneration of senior management as it thinks appropriate considering the Performance of Senior Management.

10.2 Recommendation of the Committee

While reviewing and recommending the remuneration of Senior Management of the Company, the Committee shall ensure the following factors.

- a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Senior Management members of the quality required to run the company successfully.
- b) Relationship of remuneration to performance meets appropriate performance benchmarks.
- c) There should be appropriate balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

11. REMUNERATION OF EMPLOYEES

The Company believes that composition of remuneration of the Employees should be reasonable and sufficient to attract, retain and motivate Employees. The Company follows salary structure comprising fixed and variable components. The Steering Committee shall review and approve remuneration payable to other Employees (excluding Senior Management) annually. The following remuneration structure is being followed in the Company.

- a) **Fixed Components** comprises salary, allowances, perquisites, PF etc.
- b) **Variable Components** linked to performance of Individual Employee vis-à-vis performance of the Business and Company. Variable pay shall be determined after end of the financial year in terms of performance management system manual of the Company and KRA achievement of individual Employee.

12. PERFORMANCE MANAGEMENT SYSTEM (PMS)

The Appraisal of Senior management and Staffs shall be as per the extant annual Performance Management System Manual of the Company and is being followed to ensure the following:

- Aligning organization objectives to individual goals
- Fair and Transparent assessment of performance
- Recognizing and Rewarding Performance
- Differentiating High Performance
- Understanding and developing on current and future competencies

The goals are derived from the Company's vision which is translated and aligned to Annual Business Plan. These goals are cascaded to the functional heads /Unit Heads/ Business Heads and from them to the departmental heads, and then to the respective employees in each department. In this manner, the Company's annual business goals are cascaded to all levels in the organization. The employees are rated on the basis of achievements of these goals and also a defined competency framework. The weightages of these depend on the level within the organization.

13. CLARIFICATION AND REVIEW OF THE POLICY

The Committee may, in consultation with the Board, if necessary, review or give necessary clarification and procedural alteration for effective and smooth implementation of the Policy.

The Committee may or Person nominated by him, shall review the Policy as and when it deems necessary.

This Policy may be read with the Employee Handbook of the Company, to the extent relevant or necessary for implementation purpose. However, the Handbook shall not be part of this Policy and always remain with the Company as confidential document.

14. AMENDMENTS IN THE POLICY

This Policy may be amended or substituted by the Committee as circumstances warrant. Modification / amendment / clarification shall be issued only by the KMP in consultation with the Committee.