

Annexure D1 to Director's Report

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 Directors comprising all members of management one

level below the executive directors, including the KMP, Functional Head and Business Unit Heads.

- (l) 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.

4. NOMINATION AND REMUNERATION COMMITTEE

The Board has constituted the Nomination and Remuneration Committee of the Board presently comprising of 3 Non-Executive Directors out of which 2 are Independent Directors. 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) 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 regard.

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 ₹ 50,000/- per meeting to the NEDs for attending the meetings of the Board and ₹ 25,000/- for attending meeting of the Audit Committee and same amount for meeting of Nomination & Remuneration 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, 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.

The distribution of Commission amongst the NEDs will be placed before the Board. The Commission will be distributed on the basis of their attendance and contribution at the Board and certain Committee Meetings as well as time spent on operational matters of the Company.

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.

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.
- e) Remuneration of non-executive directors of other companies / peers of similar size in terms of turnover, profit and net worth. Peer comparison shall be effective and rational assessment and not just numbers.

7. REMUNERATION OF EXECUTIVE DIRECTORS

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and 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.

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 commission as percentage of commission 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 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 consider 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 material pecuniary relationships or transactions with the Company or its Holding Company, subsidiary Companies, Associate Companies except receiving Directors' Remuneration in a manner prescribed in Section 197 of the Companies Act, 2013.

10. REMUNERATION OF SENIOR MANAGEMENT

10.1 Review of Remuneration of Senior Management

The Committee will review the remuneration of the Senior Management annually at the time of performance appraisal. Considering the outcome of performance appraisal done by HR and management, 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 all or few members of senior management as it thinks appropriate considering the following aspects.

- a) Performance of the Company for relevant financial year in terms of turnover, net profit, cash profit vis-à-vis performance of relevant Division / Business Unit of the Company.
- b) Individual credit rating as per HR performance appraisal, achievements

during last two years, major role played in successful bidding of moderate projects, contribution in getting landmark projects, challenging initiatives, key role played in winning of prestigious award to the Company.

- c) Critical responsibility handled and successful completion of task assigned by the Board / management of the Company.
- d) Qualification, experience, skills and tenure of services in the Company.
- e) Contemporary sector specific positions, risk profile of the Company and strategic retain of competent professionals.
- f) Overall industry standard, future prospect of the Division and the Company and present market scenario of similarly based professionals.

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 incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

10.3 Variable Pay and Incremental in Remuneration of Senior Management

While recommending about Variable Pay and Increment in Remuneration of the Senior Management, the Committee, inter alia, considers the following focal criteria with appropriate weightage.

- a) Performance of the Company during relevant financial year in terms of turnover and cash profit.
- b) Performance achieved by the Division where the performance is quantifiable and part of profit center. In other cases, overall performance of the Department and quality of information flow.
- c) Individual KRA rating and opinion of the CEO / Executive Director.
- d) Technical skill or nuance in knowledge and practical competency in areas of works or functions where he is employed in the Company.
- e) Prospects of the Division and business plan of the Company in medium to long run objectives.

- b) **Variable Components** linked to performance of Individual Employee vis-à-vis performance of the Company. Variable pay be determined after end of the financial year following the performance management system of the Company and KRA achievement of individual Employee.

Variable Pay component in the CTC mainly as per the grade in following manner.

Entitlement / Grade	Variable Pay - % of CTC
Top Management	
Senior Management	
Mid Management	
Junior Management	
Frontline Management	
Staff	

Variable pay is calculated, inter alia, on the basis of individual performance on individual KRA; subject to minimum achievement of 70 % on KRA.

KRAs Achievement	Variable Pay %
<70%	Nil
70% - 200%	Equal to % achievement
> 200%	in proportion to achievement subject to maximum 225%

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 following remuneration structure is being followed in the Company.

- a) **Fixed Components includes** (i) fixed pay which is up to 70% of the gross salary and (ii) flexi pay for rest of the salary part which depends on the Employee preference how to distribute the same in prescribed components of flexible pay.

The intention of the Company for the Variable Pay is to recognize the efforts taken by the Employee to achieve his/her KRAs. Generally it will not be impacted by performance/non-performance of any other factor.

12. PERFORMANCE MANAGEMENT SYSTEM (PMS)

12.1 Objectives of the PMS

The Company follows the set Performance Management System to achieve following objectives.

- a) Alignment of individual goals with organizational objectives and annual employee rewards with organizational performance.

- b) Promote performance centric work culture through performance review on regular intervals, regular feedback, coaching, training and other managerial interventions.
- c) Get the inputs for other HR systems i.e. rewards, annual increments, promotion, career planning, succession management, learning and development.

12.2 Role of the Committee in the PMS and Increment

The PMS is being carried out by the Department Heads and HR Team as per set system and practice of the Company. The Nomination and Remuneration Committee may discuss with CEO, HR Head, and Senior Management of the Company about process being followed in respect to PMS and gives its suggestions keeping in view the objectives of the PMS.

In respect to the increment in remuneration of the Employees, the Committee shall consider the following major aspects in giving its recommendation. The Committee would recommend overall amounts or range of percentage of increment of all the Business Units.

- a) Turnover, profit earned, orders received during the year and value of balance order book of particular Business Unit - as a % of the respective parameter of the Company as whole and target achievement, project completion status, critical situation of the projects of the Unit, if any.
- b) Performance of the Business Unit and the Company during relevant financial year and % growth as compared to previous year.

- c) Discussion with the respective Business Head / Department Head about current employment market, major development in industry, known expansion plan of peers / competitors, major risk anticipate about critical projects, likelihood of delay in completion of projects, contractual term and possible damage or litigations in case of delay.

12.3 Criteria for Payment of increment and variable pay

Following shall be the major criteria in relation to Variable Pay and increment.

	Annual Increment	Variable pay
1.	Increment is linked to the performance score at corporate, Business Unit (BU) and Project respectively.	Variable pay will be paid on the basis of employee's performance on KRAs
2.	Increment % of A Rating employees will be equal to Performance score at Corporate, BU and Project level, subject to maximum of 15% and minimum of 5%	Minimum eligibility criteria for payment of Variable pay is 70% achievement on KRAs
3.	B and C rating employees will get 2.5% and 5% less than A rating respectively	

12.4 Appraisal and Review Authority Matrix

The Company shall follow the following authority matrix in respect PMS. However the Matrix may vary in appropriate cases and if the circumstances so warrant.

Appraisee	Appraiser	Next Superior Review	Review by internal committee
Site Staff – Execution			
Site Staff – Support Functions			
Site In-charges / Project Managers (PMs)			
BU Functional Staff			
BU Functional Heads			
Corporate Functional Staff			
BU Heads , Corporate Functional Heads			

13. EMPLOYEES’ GROWTH AND WELL-BEING

Every year, the Company sponsors a batch of employees for post graduate diploma in management course conducted by reputed university or college to enhance managerial skills for middle and senior level employees.

Management firmly believes that employees are corner stone of the organization and investing in them thoughtfully and strategically reaps rewards that pay-off in the long run. Through regular training and skill enhancement program, Company strives to bring congruence between personal career goals of the employees and overall objective of the organization. The Company has put in comprehensive system in place for identifying and addressing various training needs at all the levels of the organization. Management believes this help in creating challenges and empowering work environment that rewards

dedication and work ethics to employees. The Company also provides training on behavioral aspects, such as personality development, communication skills etc. to help improving their efficiency. These training programs include technical trade, managerial skills, functional skills, behavioral skills, etc.

The Company regularly conducts programs for employees and their families like, annual picnic, medical checkups at regular interval, distribution of long service awards etc.

14. 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.

15. 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.