

VELAN HOTELS LIMITED

POLICY ON SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION

The Nomination & Remuneration Committee (NRC) has prepared a “Terms of Reference” (ToR), which, *inter alia*, deals with laying down the criteria for selection of Non-Executive Directors (NEDs), based on the requirements of the organization, including the qualifications and determining the independence of Directors. The NRC has also laid down the criteria for evaluation of performance of the Board and guidelines for determining the remuneration of Directors. This Policy is based on the above ToR of NRC:

(1) **Criteria for selection and appointment of Directors:**

- (a) The Director shall have relevant expertise and experience commensurate with the requirements of the Company to discharge the duties as a Director.
- (b) While selecting a Director, the emphasis be given on qualifications, experience, personal and professional standing of the incumbent.
- (c) Assess the independence, nature of the appointment as Director vis-à-vis any conflict of interest with respect to any pecuniary relationship and procure necessary declaration.
- (d) The Director is not disqualified for appointment u/s. 164 of the Companies Act, 2013.
- (e) The tenure/term of the Director shall be as per the terms of appointment even after attaining the age of 75 years subject to passing of a special resolution by the members of the company at General Meeting.
- (f) In case of re-appointment of Director, due emphasis be given to the performance evaluation of the Director during his tenure.

(2) **Remuneration:**

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees for attending the meetings of the Board as well as the Committees and profits related commission as mentioned below. The Directors shall also be eligible to receive reimbursement of expenses for participation in the Board and Committee Meetings.

The overall remuneration shall be in accordance with Sec. 197 and other applicable provisions & rules made thereunder from time to time.

- (a) A Non-Executive Director shall be entitled to receive sitting fees for attending meetings of the Board and Committees of such amount as may be approved by the Board of Directors, within the overall limits prescribed by the Companies Act, 2013 and rules made thereunder.
 - (b) The Non-Executive Director will also be entitled to receive a commission on the Net Profits of the Company, on a yearly basis. The amount of commission payable will be as approved by the Board of Directors, based on the recommendation of the NRC.
 - (c) The NRC may recommend payment of commission on a uniform basis to all NEDs as it deems fit.
 - (d) The NRC may recommend higher commission to the NEDs who are the Chairman of the Board or various Committees, taking into consideration the higher responsibilities taken by them.
 - (e) The NRC, while determining the quantum of commission of NEDs may consider the membership of the Director on the Board & Committees, their attendance at the various Board & Committee Meetings, the overall performance of the Company.
 - (f) The overall commission payable to the Directors shall not exceed 1% of the Net Profits of the Company.
 - (g) The NRC may recommend a payment of pro-rata commission to a NED who occupies the office for the part of the year.
- (3) **Criteria for selection of Managing Director & Executive Director :**

For the purpose of selection of the Managing Director & Executive Director, the N&R Committee shall identify persons of integrity who possess relevant expertise, experience and leadership qualities required for the position and shall take into consideration recommendation, if any, received from any member of the Board. The Committee will also ensure that the incumbent fulfills such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013 or other applicable laws.

(4) **Remuneration for Managing Director & Executive Director:**

- i. At the time of appointment or re-appointment, the Managing Director & Executive Director shall be paid such remuneration as may be mutually agreed between the Company (which includes the N&R Committee and the Board of Directors) and the Managing Director & Executive Director within the overall limits prescribed under the Companies Act, 2013.
- ii. The remuneration shall be subject to the approval of the Members of the Company in General Meeting.
- iii. The remuneration of the Managing Director & Executive Director is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, amenities and retiral benefits. The variable component comprises performance bonus.
- iv. In determining the remuneration (including the fixed increment and performance bonus) the N&R Committee shall ensure / consider the following:
 - a. the relationship of remuneration and performance benchmarks is clear;
 - b. balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;
 - c. responsibility required to be shouldered by the Managing Director & Executive Director, the industry benchmarks and the current trends;
 - d. the Company's performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the KRAs / KPIs.

(5) **Remuneration Policy for Senior Management:**

The NRC, while determining the remuneration of Senior Management shall ensure the following:

- (i) The remuneration is divided into fixed component & Variable Component.
- (ii) The division is based on the fixed salary and performance bonuses.

- (iii) The division between fixed and variable is based on the roles & responsibilities, the Company's performance vis-à-vis KRA & KPIs, industry benchmark and current compensation trends in the market.

Based on the Annual Business Plan prepared, Individual Contribution Plan (ICP) is prepared by the Senior Management which is agreed upon. It broadly contains certain targets for strategic objectives, operational excellence oriented initiatives and business deliverables. Actual performance of individual Reportee will be discussed by the MD at the year end. Based on the appraisal and overall performance of the Company and after considering the market trends, suitable increments/variable pay shall be decided by the MD.

The Managing Director & Executive Director will present a snapshot of evaluation carried to assess the performance of the Senior Management, while recommending the annual increment of the NRC, for its review and approval.

(The policy as revised and adopted by the Board of Directors at their meeting held on 25th March, 2019)