



Nomination and Remuneration Policy

1. PREAMBLE

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. To harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 and the Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Hereinafter referred to as the “LODR”) as amended from time to time, this Policy on nomination and remuneration of Directors (including non-Executive Directors) Key Managerial Personnel and Senior Management has been formulated by the Committee and approved by the Board of Directors.

This Policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors (including Non-executive Directors), Key Managerial Personnel and Senior Management Personnel.

2. OBJECTIVE

- a) To make recommendations to the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management Personnel;
- b) To ensure that 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;
- c) To evaluate the performance of the members of the Board and provide necessary reports to the Board for further evaluation and to ensure relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- d) To make recommendations to the Board on remuneration payable to the Directors, Key Managerial Personnel and Senior Management and to ensure that such remuneration 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.

3. DEFINITIONS

“**Board**” means Board of Directors of the Company.

“**Company**” means “Energy Development Company Limited”

“**Employees’ Stock Option**” means the option given to the Directors, officers or employees of a Company or of its holding Company or subsidiary Company or Companies, if any, which



gives such Directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the Company at a future date at a pre-determined price.

“Independent Director” means a Director referred to in Section 149 (6) of the Companies Act, 2013 and in Regulation 16 of the LODR;

“Key Managerial Personnel” (KMP) means;

- Chief Executive Officer or the Managing Director or the Manager,
- Company Secretary,
- Whole-time Director,
- Chief Financial Officer and
- Such other officer as may be prescribed.

“Nomination and Remuneration Committee” mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and the LODR.

“Policy or This Policy” means, “Nomination and Remuneration Policy.”

“Remuneration” means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

“Service Rules/HR Policy” means “Service Rules/HR Policy” as framed by the Management which are applicable to all employees, may be amended or modified from time to time by the management.

“Senior Management” means 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, as may be decided by the Board from time to time.

Words and expression that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013, the LODR and/or any other SEBI Regulation(s) as amended from time to time.

4. APPOINTMENT AND REMOVAL

a) Appointment criteria and qualifications

- i) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his/her appointment.
- ii) A person should possess adequate qualification, expertise and experience for the position he is considered for appointment. He shall be a person of integrity, who possesses relevant expertise and experience and who shall uphold ethical standards of integrity and probity; act objectively and constructively; exercise his responsibilities in a bona-fide manner in



the interest of the company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the company in implementing the best corporate governance practices. The Committee has discretion to decide whether qualification, expertise, experience and attributes possessed by a person are sufficient/satisfactory for the concerned position.

- iii) The Company shall not appoint or continue the employment of any person as Managing Director/Whole-time Director/Manager who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

b) Term/Tenure

- i) **Managing Director/Executive Director/Whole-time Director/Manager:** The Company shall appoint or re-appoint any person as its Managerial Person for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
- ii) **Independent Director:** An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. However, if a person who has already served as an Independent Director for five years or more in the Company as on 1st October, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he/she shall be eligible for appointment for one more term of five years only.

At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed Company.

c) Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior



Management at regular interval (yearly). The Committee shall identify evaluation criteria which will evaluate Directors based on knowledge to perform the role, time and level of participation, performance of duties, level of oversight, professional conduct and independence.

Criteria for performance evaluation of Independent Directors is given in the Appendix I to this Policy.

d) Removal

Due to reasons for any disqualification mentioned in the Companies Act, 2013, Rules made thereunder or under any other applicable Act, Rules and Regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Managing Director/Executive Director/Whole-time Director, KMP or Senior Management subject to the provisions and compliance of the said Act, Rules and Regulations made thereunder and Service Rules/HR Policy of the Company as prevalent at that time.

e) Retirement

The Managing Director/Executive Director/Whole-time Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Managing Director/Executive Director/Whole-time Director, KMP, Senior Management in the same position/remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to such approvals as may be required in this regard.

5. PROVISIONS RELATING TO REMUNERATION

a) General

- i) The remuneration / compensation / commission etc. to Managing Director, Executive/Whole-time Directors, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration/compensation/commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- ii) The remuneration and commission to be paid to Managing Director, Executive/Whole-time Directors shall be as per the statutory provisions of the Companies Act, 2013, and the Rules made thereunder for the time being in force and in accordance with and subject to the relevant provisions of the Articles of Association of the Company.



iii) Increments to the existing remuneration/compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the shareholders in the case of Managerial Person.

iv) Where any insurance is taken by the Company on behalf of its Managing Director, Executive/Whole-time Directors, KMP and any other personnel for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

b) Remuneration to Non-Executive/Independent Director

i) **Remuneration/Commission:** The Committee may recommend the payment of remuneration/commission in accordance with the statutory provisions of the Companies Act, 2013, and the Rules made thereunder for the time being in force.

ii) **Sitting Fees:** The Non- Executive/Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

iii) **Limit of Remuneration/Commission:** Remuneration/Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

iv) **Stock Options:** An Independent Director shall not be entitled to any stock option of the Company.

c) Executive/Whole-time Directors

i) Appointment/Re-appointment, Remuneration and Terms and Conditions

Appointment and Re-appointment, if any, of Executive Directors/Whole-time Directors including remuneration and other terms and conditions thereof shall be in accordance with the provisions of Section 196, 197 of the Companies Act, 2013 read with Schedule V appended thereto. The Committee will recommend the appointment or re-appointment, if any, of any of the Executive/Whole-time Directors to the Board and same will be approved by the shareholders at General Meetings by passing the necessary resolution in terms of provisions of The Companies Act, 2013.

The components of remuneration package may include the following:

- Basic Pay



- Allowances
- LTA
- Any other perks and benefits.

ii) Minimum Remuneration

If in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Executive/Whole-time Directors in accordance with the provisions of Schedule V of The Companies Act, 2013 and if it is not able to comply with such provisions, with the prior approval of the Central Government.

iii) Overall Maximum Managerial Remuneration

The total managerial remuneration payable by the Company to its Directors, including Managing Director and Whole-time Directors and its Managers in respect of any financial year shall not exceed 11% of the net profit of the Company for that financial year calculated in the manner as laid down in Section 198 of Companies Act, 2013, except that the remuneration of the Directors shall not be deducted from the gross profit. In the event of payment of remuneration exceeding 11% of net profit necessary formalities to be complied with as per the said Act.

iv) Provisions for excess remuneration

If any Executive/Whole-time Directors draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

d) Key Managerial Personnel and Senior Management

Remuneration of KMP and Senior Management Personnel is proposed by the Company's Nomination and Remuneration Committee and subsequently approved by the Board of Directors. The remuneration is evaluated annually against performance of the Company, individual performance/contribution and decide rationally. The remuneration of KMP and Senior Management Personnel may comprise of the following:

- A fixed base salary, set at a level aimed at attracting and retaining executives with professional and personal competences required to drive the Company's performance.
- Special pay
- Variable pay linked with Performance in respect of certain positions
- Allowances (HRA, Conveyance etc.)



- LTA
- Perquisite and benefits
- Coverage on Mediclaim
- Retirement benefits including Superannuation

The KMP(s) and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on their commendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

6. POLICY ON DIVERSITY OF BOARD

The Board of Directors shall have the optimum combination of executive and non-executive Directors including Independent Directors from the different fields like Planning, Strategy, Production, Management, Engineering, Quality Assurance, Finance & Accountancy, Legal, Sales and Marketing, Supply chain, Research and Development, Human Resources etc. or as may be considered appropriate by the Committee from time to time. The Board shall have at least one member who has accounting or related financial management expertise and at least three members who are financially literate and at least one women Director as its member.

7. ASSISTANCE FROM OUTSIDE AGENCY

The committee may take the assistance of External expert/agency as and when required to ensure that recommendations are based on rationale as also parameter to judge the performance level through a process.

This Policy will be reviewed and amended by the Nomination and Remuneration Committee as and when required and appropriate recommendations will be made to the Board to update this Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.

9. DISCLOSURE OF INFORMATION

Information as required in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5 of Company (Appointment & Remuneration) Rules, 2014 shall be disclosed in the Board in the manner as provided therein.



Appendix I

Criteria for Performance Evaluation of Independent Directors

The Nomination and Remuneration Committee laid down the criteria for performance evaluation of Independent Non-Executive Directors. They are enumerated as below:

1. Frequency of Attendance and contribution to the Board and Committee meetings of Directors;
2. Appropriate mix of expertise, skills, behaviour, experience, leadership qualities, and understanding of business, strategic direction to align Company's value and standards;
3. Adequate understanding and knowledge of finance, accounts, legal, investment, marketing, internal controls, risk management, assessment and mitigation, business operations, processes and Corporate Governance.
4. Ability to create a performance culture that add value creation and a high quality of discussions.
5. Effectiveness to respond positively and constructively and to encourage more transparency.
6. Recognize the role which is expected to be played, internal Board Relationships to make decisions objectively and collectively in the best interest of the Company and to achieve organizational successes and harmonizing the Board.
7. Represent presence, rational, physical and mental fitness, broader thinking and vision on corporate social responsibility
8. Adhere to quality of decision and discussion for understanding financial statements and business performance, raising of finance, best source of finance, working capital requirement, forex dealings, geopolitics, human resources etc.
9. To monitor the performance of management and satisfy himself with integrity of the financial controls and systems in place by ensuring right level of contact with external stakeholders.
10. Contribution towards overall enhancement of brand image of the Company.

Effective from 11.02.2019