



Palakkad Small Hydro Company Limited

(A Company Promoted by District Panchayat, Palakkad)

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NOMINATION AND REMUNERATION POLICY

The company believes that human resources as an asset are valuable and play an integral part in the growth and success of the company. Our policy on the appointment of directors including independent directors, Key Managerial Personnel (KMP) and other employees provides a referendum based on which the recruitment plans shall be framed for the strategic growth of the company.

Pursuant to Section 178 of the Companies Act, 2013 read with Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014, the “Nomination and Remuneration Committee” shall be constituted by:-

1. Every Listed Company
2. Every Unlisted public Company
 - a) Having Turnover of Rs. 100 Crores or More
 - b) With Paid-Up Capital of Rs. 10 Crores
 - c) Having in aggregate, outstanding loans or borrowings or debentures or deposits of Rs. 50 Crores

In order to align with the provisions of the Companies Act, 2013 and applicable rules thereto, the Nomination and Remuneration Committee formulated and proposed the nomination and remuneration policy.

Objective

In line with the provisions of Companies Act 2013, the objectives and purpose of the policy are

- To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a director and to recommend their appointment /removal;

- To layout the remuneration principles for the directors, KMP, and other employees;
- To formulate the criteria for evaluation of the board and all other directors.
- To lay down the criteria for identifying people who can be appointed in senior management and recommend their appointment.

Definitions

In this Policy, the following terms shall have the following meanings:

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

“**Director**” means a director of the company

“**Committee**” means the Nomination and Remuneration Committee as constituted or reconstituted by the Board, in accordance with the provisions of Section 178 of the Companies Act, 2013 and Clause 49 of the Equity Listing Agreement

“**Independent Director**” means a director referred to in sub- section (6) of Section 149 of the Companies Act, 2013

“**Key Managerial Personnel**” (KMP) means

- a) The Chief Executive Officer or the Managing Director or the manager;
- b) The Whole-Time Director;
- c) The Chief Financial Officer; and
- d) The Company Secretary;

and such other officer as may be prescribed under the Companies Act, 2013 from time to time.

“**Senior Management**” means personnel of the Company who are members of its core management team excluding the Board and all members of the management one level below the Executive Directors.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the same meaning assigned to them therein.

Constitution of the Nomination and Remuneration Committee

The Board has constituted the “Nomination and Remuneration Committee” of the Board on 27th January 2021. This is in line with the requirements under the Companies Act, 2013 (“Act”). This Policy is integral to the functioning of the Nomination and Remuneration Committee. The Board has authority to reconstitute this Committee from time to time.

Members:

The committee shall consist of three or more non – executive directors out of which not less than one-half shall be independent directors. The Chairperson of the company shall be appointed as the member of the committee but shall not chair such committee. The Company Secretary shall act as the secretary to the committee meetings.

Frequency of the meeting:

The meeting of the Committee shall be held as and when its need arises.

Quorum:

The quorum for the nomination and remuneration committee meeting shall be two members.

Minutes of the Committee Meetings:

Proceedings of all meetings must be recorded as minutes of meeting and shall be placed before the next succeeding meeting of the Board of Directors for confirmation. The minutes shall be signed by the chairman of the Nomination and Remuneration committee.

Functions of the Nomination and Remuneration Committee:

1. To recommend to the Board the appointment/reappointment and removal of Directors, Key Managerial Personnel and Senior Management.
2. To recommend to the Board the remuneration payable to the Directors, Key Managerial Personnel and Senior Management personnel.
3. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
4. To determine that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
5. To formulate a criteria for determining qualifications, positive attributes and independence of a Director and to recommend to the Board the Policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
6. Ensure that level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the company successfully.
7. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
8. Identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this policy.
9. To ensure that there is an appropriate induction program for newly appointed Key Managerial Personnel and Senior Management personnel.
10. To recommend to the Board the appointment, removal and the remuneration payable to a relative of a Director.
11. To assist the Board in fulfilling its responsibilities.

To perform such other functions as may be necessary or appropriate for the performance of its duties.

POLICY

This Policy is divided into two parts:

Part A: Part A deals with the appointment and removal of the Directors, Key Managerial Personnel and Senior Management

Part B: Part B deals with the remuneration of the Directors, Key Managerial Personnel and other employees

This Policy shall be included in the Board's Report

PART - A

Policy for the appointment and removal of Directors, KMP and Senior Management:

1. Selection of Directors, Key Managerial Personnel and Senior Management :

The selection of Directors can be made in any of the following ways:

- District Panchayat, Palakkad being the major stakeholder (more than 51% shareholding) of the company shall have the authority to appoint directors on the board of the company.
- Further, Kerala State Electricity board and Integrated Rural Technology Centre Palakkad shall have the authority to appoint directors on the board of the company in accordance with article no.73 of the articles of association of the company.

The selection of Key Managerial Personnel and Senior Management can be made in any of the following ways:

- by way of recruitment from outside
- from within the Company hierarchy

2. Appointment Criteria and Qualifications:

- The person should possess adequate qualification, expertise, skills and experience for the position he / she is considered for appointment. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- Before appointment, the Company shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel and Senior Management Personnel in the company and recommend to the board his/her appointment for the concerned position.
- Board should ensure an optimum and balance of members in the board with varied experience to have an effective board.
- A person appointed as director, should possess impeccable reputation for integrity, deep expertise and the ability to contribute to the company's growth and complementary skills in relation to other board members.

3. Term / Tenure :

a) Managing Director/Whole-time Director/Executive Director/Manager:

- The Company shall appoint or re-appoint any person as its Managing Director, Executive Chairman or Executive Director or Whole Time Director for a term not exceeding five (5) years at a time. No re-appointment shall be made earlier than one (1) year before the expiry of term.

b) Independent Director

- An Independent Director shall hold office for a term up to five (5) 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 (2) consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three (3) years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three (3) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- c) Key Managerial Personnel and Senior Management:
 - The tenure and terms of appointment of Key Managerial Personnel and Senior Management will be as per the applicable provisions of the Companies Act 2013.

4. Evaluation:

In accordance with section 178(2) of Companies Act 2013 the Nomination and Remuneration Committee shall specify the manner for effective evaluation of performance of board, its committees and individual directors to be carried out either by the board, by the nomination and remuneration committee or by an independent external agency and review its implementation and compliance.

5. Retirement:

The Director, Key Managerial Personnel and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act 2013.

6. Removal :

Due to reasons for any disqualification/misconduct/fraud mentioned in the Act or under any other applicable Act and any rules there under, the Nomination and Remuneration Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, Key Managerial Personnel or Senior Management Personnel subject to the provisions and compliance of the said Act, and any rules, if any, made there under.

PART – B

Remuneration to the Directors, and Senior Management Personnel

1. General

- a) The remuneration / compensation / commission etc. to Directors 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 approval of the shareholders of the Company and/or Central Government, wherever required.
- b) The remuneration and commission to be paid to Directors shall be as per the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force and as amended from time to time.
- c) Increase 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 Directors. Such increase in remuneration will be effective from the date of re-appointment in respect of Managerial Personnel.
- d) Where any insurance is taken by the Company on behalf of its Directors and any other employees 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. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

2. Remuneration to Directors, KMP and Senior Management

- a) Fixed pay: KMP shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee in accordance with the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force.
- b) Sitting Fees: The Directors may receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof. Provided that the amount of

such fees shall not exceed the maximum amount payable for attending the meeting of the Board or Committee, as provided in the Companies Act, 2013.

- c) **Minimum Remuneration:** If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its 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. The overall remuneration paid to the Directors (excluding sitting fees) shall not exceed 11% of the net profit of the Company.
- d) **Provisions for excess remuneration:** If any 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.

3. Remuneration to Non-Executive / Independent Director:

- a) **Remuneration / Commission:** The Non-Executive / Independent Directors shall not be eligible to receive any remuneration except by the way of sitting fees paid for attending the Meetings.
- b) **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 payable for attending the meeting of the Board or Committee, as provided in the Companies Act, 2013.

4. Other Employees:

Remuneration for other employees of the company shall be decided by the board in accordance with the scale of pay as revised from time to time.

REVIEW AND AMENDMENTS

- The Committee or the Board may review the policy as and when it deems necessary.
- The Board of Directors on recommendation of the Committee shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with new provisions or replace this Policy entirely with a new Policy.