

**STERLITE POWER TRANSMISSION LIMITED**

**NOMINATION & REMUNERATION POLICY**

**Owner:**

Corporate Secretarial Department

**Issue Date:**

August 24, 2016

**Version:**

NRC Policy - 1.0

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The Board of Directors (the “Board”) of Sterlite Power Transmission Limited (the “Company” or “SPTL”), acting upon the recommendation of the Nomination and Remuneration Committee, has adopted the following policy with regard to appointment and remuneration of the Directors, Key Managerial Personnel and Senior Management as required by Section 178 of the Companies Act, 2013 at its meeting held on August 24, 2016. The Nomination and Remuneration Committee will review and may amend this policy from time to time, subject to the approval of the Board.

## 1. Purpose and Effective Date

Sterlite Power Transmission Limited has adopted this Nomination and Remuneration Policy (the "Policy"), to ensure the proper appointment and remuneration of the Directors, Key Managerial Personnel (KMP) and Senior Management as required under the provisions of Section 178 of the Companies Act, 2013 (the "Act") and the rules made thereunder.

The purpose of this Policy is to establish and govern the procedure applicable:

- a) To evaluate the performance of the members of the Board.
- b) To ensure remuneration to Directors, KMP and Senior Management 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.
- c) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

The Committee should 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 and the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

This policy shall apply with effect from **August 24, 2016**.

## 2. Definitions

- i. **Independent Director** means a director referred to in Section 149(6) of the Companies Act, 2013 (“Act”).
- ii. **Key Managerial Personnel** (the “KMP”) shall mean “Key Managerial Personnel” as defined in Section 2(51) of the Act.
- iii. **Nomination and Remuneration Committee**, by whatever name called, shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act.

- iv. **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.
- v. **Senior Management** means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Executive Directors, including all functional heads.

Words and expressions used and not defined in this Policy, but defined in the Act or any rules framed under the Act and Rules framed thereunder shall have the meanings assigned to them in these regulations.

### **3. Composition of the Committee:**

The constitution, reconstitution and composition of the Committee is / shall be in compliance with the Act and Rules made thereunder.

### **4. Role of the Committee:**

The Committee shall:

- a) Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board this Policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- b) Lay down the evaluation criteria for performance evaluation of Independent Director and the Board;
- c) Devise a Policy on Board diversity;
- d) Identify persons who are qualified to become Director and persons who may be appointed in senior management position in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
- e) Administration of Employee Stock Option Scheme(s), if any
- f) Reviewing and recommend the remuneration of Executive Directors of the Company.
- g) Undertake any other activity in this regard as may be required by the Companies Act, 2013 or the Rules, from time to time.
- h) To do all acts, deeds and things which may be necessary for effective implementation of the foregoing acts.

### **5. Appointment and removal of Director and persons in Senior Management:-**

#### **5.1 Appointment criteria and qualification:**

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director in terms of Diversity Policy of the Board and recommend to the Board his / her appointment.

For the appointment of persons in Senior Management, a person should possess adequate qualification, expertise and experience for the position he / she is considered for the appointment. Further, for administrative convenience, the appointment of persons in Senior Management, Managing Director & CEO of the Company is authorised to identify and appoint suitable persons for such positions. However, if the need be, Managing Director & CEO of the Company may consult the Committee/ Board for further directions / guidance.

## **5.2 Term:**

The Term of the Directors including Managing / Whole time Director / Manager/ Independent Director shall be governed as per the provisions of the Act and Rules made thereunder.

Whereas the term of the persons in Senior Management shall be governed by the prevailing HR policies of the Company.

## **5.3 Evaluation:**

The Committee shall carry out evaluation of performance of every Director.

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. The appointment/re-appointment/ continuation of Directors on the Board shall be subject to the outcome of the yearly evaluation process.

Framework for performance evaluation of Independent Directors and the Board is as per **Annexure A** to this Policy.

## **5.4 Removal:**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations there under and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director or person in Senior Management.

## **6. Remuneration of Managing / Whole-time Director, KMP and Senior Management:**

The remuneration / compensation / commission, etc., as the case may be, to the Managing / Whole time Director will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission, etc., as the case may be, shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required and shall be in accordance with the provisions of the Act and Rules made thereunder. Further, the Managing Director & CEO of the Company is authorised to decide the remuneration of KMP (other than Managing/Whole-time Director) and persons in Senior Management, and which shall be

decided by the Managing Director & CEO based on the standard market practice and prevailing HR policies of the Company.

**7. Remuneration to Non-executive / Independent Director:**

The remuneration / commission / sitting fees, as the case may be, to the Non-Executive / Independent Director, shall be in accordance with the provisions of the Act and the Rules made thereunder for the time being in force or as may be decided by the Committee / Board / Shareholders.

An Independent Director shall not be entitled to any stock option of the Company, if any, unless otherwise permitted in terms of the Act.

**8. Separate Meeting of Independent Directors:**

As required by the provisions of Schedule IV to the Act, the Independent Directors of the Company shall hold at least one meeting in a year, without the attendance of Non-independent Directors and members of the management.

Framework for separate meeting of Independent Directors is as per **Annexure B** to this Policy.

**9. Familiarization Programme for Independent Directors**

As required by the provisions of Schedule IV to the Act, the Company is required to develop a Familiarization Programme for the Independent Directors of the Company.

Framework for familiarization programme for Independent Directors is as per **Annexure C** to this Policy.

**10. Board Diversity:**

The Nomination and Remuneration Committee in their nomination process and while making recommendations to the Board shall endeavor to have an optimum combination of directors from different fields/walks such as Management, Legal, Finance, Marketing, Human Resources, Bureaucracy, Public Policy etc. and adequate representation of Women directors on the Board.

The Policy on Board Diversity (the "Policy") sets out the Company's approach to ensuring adequate diversity in its Board of Directors (the "Board") and is devised in consultation with the Nomination and Remuneration Committee (the "Committee") of the Board.

The Policy on Board Diversity is as per **Annexure D** to this Policy.

## 11. Compliance with the Policy

It shall be the responsibility of the Company Secretary to ensure compliance with the Policy and that the approval process is duly followed and data required for the approval process is made available to the respective approving authority.

In case of non-compliances, it shall be the responsibility of the Company Secretary to report the non-compliances to the Nomination and Remuneration Committee/Board of Directors. The Nomination and Remuneration Committee/Board of Directors may take appropriate mitigating actions in compliance with prevailing laws.

In case there is any conflict between the provisions of this Policy and the Act or any other Statute/Rule/Regulation, the provisions of the Act or such other Statute/Rule/Regulation shall prevail over this Policy.

This Policy shall be communicated to all employees and other concerned persons of the Company. Further, if required, this Policy shall be uploaded on the website of the Company and website link for the same shall be provided in the Annual Reports of the Company.

Signed by: **Arun Todarwal**  
Chairman  
Nomination & Remuneration Committee

Date: August 24, 2016

## Annexure A

### Framework for performance evaluation of Independent Directors and the Board

As per the provisions of section 178 and Schedule IV of the Act, the Nomination and Remuneration Committee (the "Committee") shall lay down the evaluation criteria for performance evaluation of Independent Directors and the Board. This Framework shall contain the details of Board's self-evaluation framework (including all Committees of the Board and individual directors).

The Board is committed to assessing its own performance as a Board in order to identify its strengths and areas in which it may improve its functioning. To that end, the Committee shall establish the following processes for evaluation of performance of Independent Director and the Board:

1. Once a year, the Board will conduct a self-evaluation. It is the responsibility of the Chairman of the Board, supported by the Company Secretary of the Company, to organise the evaluation process and act on its outcome;
2. The Committee shall formulate evaluation criteria for the Board and the Independent Directors which shall be broadly based on:
  - 2.1 Knowledge to perform the role;
  - 2.2 Time and level of participation;
  - 2.3 Performance of duties and level of oversight; and
  - 2.4 Professional conduct and independence.
3. If required by Chairman, the Board / Independent Directors may be asked to complete the evaluation forms and submit the same to the Chairman.
4. In terms of Section 134 of the Act, the Directors' Report should include a statement indicating a manner in which the Board has done formal annual evaluation of its own performance, performance of Committees and individual Directors of the Company.



## **Annexure B**

### **Framework for Separate Meeting of Independent Directors**

As required by the provisions of Schedule IV to the Act, the Independent Directors of the Company shall hold at least one meeting in a year, without the attendance of Non-independent Directors and members of the management.

The meeting shall:

- (a) review the performance of Non-independent Directors and the Board as a whole;
- (b) review the performance of the Chairperson of the Company, taking into account the views of Executive Directors and / or Non-executive Directors;
- (c) assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

This meeting could be held prior or after the Board Meeting. The Independent Directors are free to call such meeting at any point of time, as desired.

**Annexure C**  
**Familiarization Programme for Independent Directors**

**1. Preamble:**

As required by the provisions of Schedule IV to the Act, the Company is required to develop a Familiarization Programme for the Independent Directors of the Company.

This Familiarization Program ("the Program") for Independent Directors of Sterlite Power Transmission Limited ("the Company") stipulates that:

- a) The Company shall familiarize the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc., through various programmes.
- b) The details of such familiarization programmes shall be disclosed wherever required as per applicable law, rules and regulations.

The Schedule IV of the Companies Act, 2013 also mandates that the independent directors shall undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company

**2. Administration:**

The Familiarization programme for Independent Directors will be administered and monitored by Nomination and Remuneration Committee and / or by Board of Directors of the Company.

**3. Purpose**

The Program aims to provide insights into the Company to enable the Independent Directors to understand its business in depth and contribute significantly to the Company.

**4. Familiarization Process**

4.1. The Company shall conduct programs / presentations periodically to familiarize the Independent Directors with the strategy, operations and functions of the Company;

4.2. Such programs / presentations will provide an opportunity to the Independent Directors to interact with the senior leadership team of the Company and help them to understand the Company's strategy, business model, operations, service, markets, organization structure, finance, human resources, technology, quality, facilities and risk management and such other areas as may arise from time to time;

4.3. The programs / presentations shall also familiarize the Independent Directors with their roles, rights and responsibilities;

4.4. The Company may circulate news and articles related to the industry on a regular basis and may provide specific regulatory updates from time to time; and

4.5. The Company may conduct an introductory familiarization program / presentation, when a new Independent Director comes on the Board of the Company.

**5. Familiarization module for Independent Directors:**

The module will be on the following lines and will be restructured as and when necessary.

<b><i>Orientation module for new and existing directors</i></b>	Overview of business, operations and business model of the Company.
	Financial Performance, Budgeting and Planning.
	Overview of business of Subsidiaries.
	Familiarization on Statutory compliances including their roles, rights and responsibilities in the Company as a Board Member.
	Overview of Organization Structure
	Any other subject/program which would help in better understanding of the Company.

**6. Review of the Program**

The Board will review this Program and make revisions as may be required.

## Annexure D

### POLICY ON BOARD DIVERSITY

#### **1. Purpose of this Policy:**

This Policy on Board Diversity (the “Policy”) sets out the Company’s approach to ensuring adequate diversity in its Board of Directors (the “Board”) and is devised in consultation with the Nomination and Remuneration Committee (the “Committee”) of the Board.

#### **2. Scope of Application:**

The Policy applies to the Board of Sterlite Power Transmission Limited (the “Company”).

#### **3. Policy Statement:**

The Company recognises and embraces the benefits of having a diverse Board of Directors and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage in the complex business that it operates. It is recognised that a Board composed of appropriately qualified people with broad range of experience relevant to the business of the Company is important to achieve effective corporate governance and sustained commercial success of the Company. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions amongst Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. At a minimum, the Board of the Company shall consist of at least one woman Director. All Board appointments are made on merit, in the context of the skills, experience, independence, knowledge and integrity which the Board as a whole requires to be effective.

#### **4. Review of the Policy:**

The Board and the Committee may review this Policy on need basis to ensure its effectiveness.