

# **DLF EMPORIO LIMITED**

**(CIN U45201HR2006PLC036074)**

## **NOMINATION AND REMUNERATION POLICY**

Section 178 of the Companies Act, 2013 (“**Act**”) requires the Nomination and Remuneration Committee (“**Committee**”) to recommend a policy for nomination of Directors, KMP, SM who report to the board of directors (“**Board**”) and remuneration of Directors, KMP, SM and other employees. This policy has been recommended by the Nomination and Remuneration Committee and adopted by the Board at its meeting held on February 5 , 2015. It will come into effect on February 5 , 2015. The policy harmonises the requirements of the Companies Act, 2013. The Company considers its human resources as its invaluable assets. This policy has been formulated so as to align the aspirations of the employees with the goals of the Company and with a view to provide an overall comprehensive framework to nominate Directors, KMP and SM and pay fair and equitable remuneration to its Directors, KMP, SM and other employees.

For the purposes of this policy, the following terms will have the meaning ascribed to them below:

1. “**Key Managerial Personnel or KMP**” shall mean – (i) the Chief Executive Officer or the Managing Director or the Manager; (ii) the Company Secretary; (iii) the Whole-time Director; (iv) the Chief Financial Officer; and (v) such other officer as may be prescribed in the Act.
2. “**Senior Management or SM**” shall mean those personnel of the Company who are members of its core management team excluding the Board, comprising all members of management one level below the Executive Directors, including the functional heads.

### **PART A - NOMINATION POLICY**

#### **1. Eligibility Criteria for Nomination of Directors**

##### **1.1 A Director should:**

- comply with the eligibility criteria stipulated in the Articles of Association of the Company and Section 164 of the Act.;
- have relevant experience and track record in finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to Company’s business and relevant to the role he / she is required to perform;
- possess the highest personal and professional ethics, integrity, values and stature; and
- be willing to devote sufficient time and energy in carrying out their duties and responsibilities.

1.2 A Managing Director or Whole-time Director or Manager should in addition to the above:

- fulfil the conditions specified in Section 196 read with Schedule V of the Act.

1.3 An independent Director should:

- comply with the eligibility criteria stipulated in the Articles of Association of the Company, Section 164 & 149(6) of the Act.

## **2. Eligibility Criteria for Appointment of KMP and SM**

2.1 A KMP and SM should:

- have relevant experience and track record in finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to Company's business and relevant to the role he / she is required to perform;
- possess the highest personal and professional ethics, integrity and values; and
- devote sufficient time and energy in carrying out his / her duties and responsibilities.

## **3. Diversity**

3.1 The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. 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 between Directors. The Committee will periodically review board diversity to bring in expertise and experience in diverse areas and disciplines to improve the standards of corporate governance, transparency and operational efficiency and risk management. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. The Committee will discuss succession planning and board diversity at the time of nominating Directors. It will be the Committee's endeavour to have Board members from diverse backgrounds/disciplines including the following:

- Engineering;
- Architecture;
- Accounting;
- Corporate Finance;
- Legal;
- Corporate laws;

- Business Strategy; and
- Any other background/discipline as deemed necessary by the Committee.

#### **4. Tenure of Directors**

##### 4.1 Directors shall:

- be liable to retire by rotation in accordance with the Act and the Articles of Association of the Company;
- not hold office as a director, including alternate directorship, in more than 20 companies at the same time, provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10; and
- A Director shall not be a member in more than 10 committees or act as Chairman of more than 5 committees across all listed companies in which he is a director. Furthermore, every Director shall inform the Company about the committee positions he occupies in other companies and notify changes as and when they take place.

##### 4.2 A Managing Director or Whole-Time Director or Manager:

- shall be appointed or re-appointed for a term not exceeding 5 years at a time;
- shall not be re-appointed 1 year before the expiry of his / her term; and
- shall retire at the age of 70 years unless his appointment is extended beyond 70 years of age by passing a special resolution of the shareholders in accordance with the Act.

##### 4.3 An Independent Director shall:

- hold office for a term up to 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;
- notwithstanding the above, not hold office for more than 2 consecutive terms, but shall be eligible for appointment after expiry of 3 years of ceasing to become an Independent Director, provided that during the said period of 3 years he is not appointed or associated with the Company in any other capacity either directly or indirectly. For appointment of an existing Independent Director, if any, any tenure of the Independent Director on the date of the commencement of the Act shall not be counted for his appointment as Director under the Act;

#### **5. Evaluation Criteria and Mechanism**

##### 5.1 The performance of the Directors shall be evaluated in the context of the Company's performance from a business and compliance perspective. The criteria to be used in the

evaluation of performance will be those duties and responsibilities that the Board and the Director mutually agree upon. The evaluation criteria may be supplemented, when appropriate, with specific initiatives, projects or professional development objectives.

5.2 The Committee shall carry out evaluation of performance of every Director with a view to increase effectiveness as a governing body as well as participation of the Independent Director on the Board proceedings. The evaluation process shall be led by the Head (HR) who shall be supported by an Independent Director and the Company Secretary for completion of the evaluation process. which is as follows:

- Formal review shall be done on an annual basis and shall commence immediately upon completion of the previous financial year and shall be completed before the Board meeting at which the notice and agenda for the annual general meeting is approved by the Board;
- Format for formal review shall consist of the form for (a) self appraisal and (b) Board evaluation as set out in **[Annexure A]**;
- The Board evaluation form is to be distributed to all Board members well in time such that the evaluation process is completed before the Board meeting at which the notice and agenda for the annual general meeting is approved by the Board; and
- Results of the evaluation to be discussed in the Board meeting at which the notice and agenda for the annual general meeting is approved by the Board such that basis the evaluation process, recommendations of the Board for the re-appointment of the retiring Directors can be included in such notice and agenda for the annual general meeting.

## **PART B – REMUNERATION POLICY**

### **1. Guiding Principles**

1.1 The guiding principles of remuneration of the Directors, KMP, SM and other employees of the Company are:

- The level and composition of remuneration is competitive, reasonable and aligned to market practices and trends to attract, retain and motivate talent required to run the Company successfully and ensure long term sustainability of the Company;
- The remuneration to Directors, KMP and SM has a fair balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals;
- The remuneration is linked to key deliverables, appropriate performance benchmarks and metrics and varies with performance and achievements;
- Alignment of performance metrics with business plans and strategy, corporate

- performance targets and interest with stakeholders;
- Quantitative and qualitative assessments of performance are used to making informed judgments to evaluate performances;
- Sufficiently flexible to take into account future changes in industry and compensation practice; and
- The pay takes into account both external market and Company conditions to a balanced 'fair' outcome.

## 2. **Remuneration to Managing Director or Whole-time Director or Manager**

- The remuneration and commission and increments thereon to be paid to the Managing Director or Whole-time Director or Manager shall be determined in accordance with the conditions laid down in the Act.
- If in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director or Whole-time Director or Manager in accordance with the provisions of the Act read with rules made thereunder and Schedule V of the Act.
- If any Managing Director or Whole-time Director or Manager draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act 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.
- The total remuneration of the Managing Director or Whole-time Director or Manager shall comprise of the following:
  - A fixed base salary and fixed allowances;
  - Annual performance award;
  - Employee Stock/ Shadow Options;
  - Retiral benefits; and
  - Other benefits and reimbursements,

In addition to the above, the Managing Director or Whole-time Director or Manager shall also be entitled to severance pay in accordance with the terms and conditions of appointment of such Managing Director or Whole-time Director or Manager as set out in their respective appointment letters. The details in relation to each component are set out in Part I of **Annexure B**. Any deviation from the same shall be recorded in the minutes of the meeting of the Committee with proper justification for the same.

## 3. **Remuneration to Non-Executive Directors**

- The remuneration and commission to be paid to the non-executive Directors shall be determined in accordance with the conditions laid down in the Articles

of Association of the Company and as per the Act.

- The total remuneration of the Non-executive Directors /Independent Directors shall comprise of the following:
  - Sitting Fee; and
  - Commission.

They will also be entitled to reimbursement for out-of-pocket expenses. The details in relation to each component are set out in Part II of **Annexure B**. Any deviation from the same shall be recorded in the minutes of the meeting of the Committee with proper justification for the same.

4. The remuneration, compensation, commission etc. to the Whole-time Director, Managing Director and Manager will be determined by the Committee and recommended to the Board for approval. The remuneration, compensation, commission etc. shall be subject to the prior or post approval of the shareholders of the Company and Central Government, wherever required.
5. The remuneration, compensation, commission etc. to the KMPs, SMs and other employees will be determined by the Company basis discussions with the Committee after taking into account general market practice, performance of the Company and other relevant factors as prescribed by the Committee from time to time.
6. **Insurance**
  - 6.1 Where any insurance is taken by the Company on behalf of its Directors, Chief Executive Officer, Chief Financial Officer, the Company Secretary 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. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.
7. The Board of Directors may deviate from this policy if there are specific reasons to do so in an individual case. Any departure from the policy shall be recorded and reasoned in the Board's minutes.
8. The adequacy of this policy shall be reviewed and reassessed by the Committee at such intervals as the Committee deems appropriate and recommendations, if any, shall be made to the Board to update the same from time to time.

**Annexure A**  
**DLF EMPORIO LIMITED (“DEL”) BOARD EVALUATION POLICY**

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The Company’s board acknowledges its intention to establish “best practices” in board governance in order to fulfill its fiduciary obligation to the stakeholders. The Board believes the evaluation will lead to a closer working relationship among Board members, greater efficiency in the use of the Board’s time, and increased effectiveness of the Board as a governing body.

Copies of the evaluation form will be distributed to each Board Member and each Board member shall complete the forms and return them to the Company Secretary.

The Board has adopted the evaluation criteria and forms that are attached to this policy. These may be changed at any time by the Board.

### DEL Board Member Self Evaluation

Criteria		Yes	No
1	I attend the Board and Committee meetings and I arrive on time and stay until meetings conclude.		
2	I contribute to the discussion in a meaningful and helpful way, listening to others and making my points concisely.		
3	I avoid conflicts of interest and ask questions of the Board Chair or Executive Director if I am unsure if a conflict exists.		
4	I read the materials distributed before the Board meeting so I can constructively participate and make timely decisions.		
5	I work with the other Board members as a team, striving for consensus when it is called for.		
6	I work with the Executive Director in a way that creates an atmosphere of trust and cooperation.		
7	I communicate governance and ethical problems to the Board Chair and Executive Director.		

## DEL Board Evaluation

**Performance Scale**

**4 – Outstanding    3 – Good**

**2 – Adequate**

**1 – Needs improvement**

S. No.	Criteria	4	3	2	1
		Outstanding	Good	Adequate	Needs Improvement
1.	The Board engages in long-range strategic thinking and planning.				
2.	The Board stays abreast of issues and trends affecting the plan, using this information to assess and guide the organization over the long term.				
3.	The Board ensures that new Board members receive a prompt, thorough orientation.				
4.	Board meetings are conducted in a manner that ensures open communication, meaningful participation, and sound resolution of issues.				
5.	The Board meeting agendas are well-balanced, allowing appropriate time for the most critical issues.				
6.	The Board and Committee meetings are of reasonable length.				
7.	The Committees are comprised of the right number and type of members.				
8.	The Committees report back to the Board as they should and do not exceed their authority.				
9.	The Board recognizes its policy-making role, and reconsiders and revises policies as necessary.				
10.	The Board is consistent about being prepared for meetings and staying engaged.				
11.	The Board brings discussions to a conclusion with clear direction to staff.				
12.	The Board is collegial and polite during meetings.				
	Total Score				
	%age (Total Score/52*100)				

**Annexure B**  
**Part I**  
**Remuneration at DEL**

***Guiding Principles***

- The level and composition of remuneration is competitive, reasonable and aligned to market practices and trends to attract, retain and motivate talent required to run the Company successfully and ensure long term sustainability of the Company;
- The remuneration to Directors, KMP and SM has a fair balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals;
- The remuneration is linked to key deliverables, appropriate performance benchmarks and metrics and varies with performance and achievements;
- Alignment of performance metrics with business plans and strategy, corporate performance targets and interest with stakeholders;
- Quantitative and qualitative assessments of performance are used to making informed judgments to evaluate performances;
- Sufficiently flexible to take into account future changes in industry and compensation practice; and
- The pay takes into account both external market and Company conditions to a balanced 'fair' outcome.

Executive Remuneration is a combination of Base Fixed Salary and Variable Component to reflect the company's leadership position in the Industry and aligned to company's strategy

**Summary of Components of Remuneration of the Executive Directors/Directors/KMP/SM & other employees as applicable**

No.	Components	Key highlights
1	<b>Base Salary including Fixed Allowances</b>	<ul style="list-style-type: none"> <li>➤ A competitive fixed salary payable on a monthly basis</li> <li>➤ Reflects individual's experience, positioning and role within the Company</li> <li>➤ Reviewed on an annual basis and changes implemented are effective from 1<sup>st</sup> April each year.</li> <li>➤ Increases in Base Compensation are aligned with annual performance reviews and are competitive and comparable with industry benchmarks.</li> <li>➤ Business and individual performance are taken into considered when setting/increasing the Base Salary</li> </ul>

2	<b>Variable Compensation</b>	<ul style="list-style-type: none"> <li>➤ Variable component is payable on annual basis aligned to company's overall performance and individual performance.</li> <li>➤ Significant component of the remuneration package (generally ranging from 15% to 40% of the total remuneration package) to encourage performance orientation culture and drive significant differentials in payout between high performers and average performers.</li> <li>➤ Performance conditions are referenced to operational and financial performance metrics (PAT, cash flow, sales, divestments) as reflected in Annual Results and individuals achievement of laid down targets aligned to the DEL Annual Plans</li> </ul>
	<b>Employee Stock/Shadow Options under any future scheme or under any scheme of the Holding Company/Subsidiary Company</b>	<ul style="list-style-type: none"> <li>➤ Presently no such scheme in existence.</li> </ul>
4	<b>Retiral Benefits (PF/Gratuity/SAF)</b>	<ul style="list-style-type: none"> <li>➤ Provide for sustained contribution and social security post employment</li> <li>➤ In accordance with relevant statutory provisions</li> <li>➤ Accruals depending upon length of service</li> <li>➤ <b>Provident Fund</b> - Contribution of 12% of the Basic Salary each from Employee and Employer</li> <li>➤ <b>Gratuity</b> - 15 days Basic Salary for every completed year of service (on last drawn Basic salary) with a minimum qualifying service period of 5 years</li> <li>➤ <b>SAF (if opted as per policy)</b> - Contribution of 15% of the Basic Salary by the Employee</li> <li>➤ Not linked to any performance criteria but part of the total remuneration package</li> </ul>
5	<b>Other Benefits / Reimbursements</b>	<ul style="list-style-type: none"> <li>➤ Market competitive employees benefits</li> <li>➤ In line with the market practices &amp; reviewed periodically</li> <li>➤ Based on level/designation as per policies of the company</li> <li>➤ Not linked to any performance criteria</li> </ul>
6	<b>Notice period salary</b>	<ul style="list-style-type: none"> <li>➤ As per policy/terms of employment</li> </ul>

## Part II

### Remuneration of the Non-executive Directors / Independent Directors:

- **Sitting Fee**

The Non-executive / Independent Directors of the Company shall be paid sitting fees not exceeding the amounts prescribed in the Companies (Appointment and Remuneration of Managerial Personnel) Rules under the Act. Presently, the sitting fee for attending Board and Committee meetings is Rs. 20,000 per meeting.

- **Commission**

The Commission payable to Non-executive / Independent Directors of the Company shall be determined by the Board in accordance with the limits prescribed under the Act and as determined by the Board based, *inter-alia*, on the Company's performance.

- **Stock Option**

Presently no such scheme in existence.

- **Reimbursement of out-of-pocket expenses**

The Non-executive / Independent Directors shall be reimbursed for out of pocket expenses for attending the Board, Committee, shareholders and creditors meetings.

- **Service contract, notice period, severance fee etc.**

The Non-executive / Independent Directors are not eligible for severance fee and do not have any notice period

- **Letter of appointment**

The appointment of Independent Directors shall be formalised through a letter of appointment in compliance to the provisions of the Act *inter-alia* covering term of appointment, role of Independent Director including duties and responsibilities, sitting fee, profit related commission etc.