

ASIAN HOTELS (NORTH) LIMITED

NOMINATION, REMUNERATION AND EVALUATION POLICY (Amended w.e.f. 11th February, 2016)

Preamble

The Nomination, Remuneration and Evaluation Policy of Asian Hotels (North) Limited is designed to attract, motivate and retain human resources; creating a competitive work environment, thus improving productivity; encouraging initiatives leading to personal growth; team work by inculcating a sense of belongingness and involvement, and also by laying down an appropriate evaluation and reward mechanism.

Definitions

“**Act**” means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

“**Board**” or “**Board of Directors**” means collective body of directors of the Company.

“**Company**” means Asian Hotels (North) Limited.

“**Director**” means a director appointed to the Board of the Company.

“**Independent Director**” means a director referred to in Section 149 (6) of the Act.

“**Key Managerial Personnel**” or “**KMP**” means:

- i. The CEO or the Managing Director;
- ii. Whole-time Director(s);
- iii. Chief Financial Officer;
- iv. Company Secretary; and
- v. Such other person as may be prescribed.

“**Nomination and Remuneration Committee**” or “**Committee**” means the Nomination and Remuneration Committee of Board of Directors of the Company, as constituted from time to time, in accordance with the provisions of Section 178 of the Act and Regulation 19 and other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) read with Para A of Part D of Schedule II to the Listing Regulations, as may be amended or re-stated from time to time.

“**Policy**” means this policy namely Nomination, Remuneration and Evaluation Policy.

“**Senior Management Personnel**” or “**SMP**” means employees of the Company who are members of its core management team who are one level below the executive director viz. all Presidents, Vice Presidents, General Managers and Division Heads.

Applicable regulatory provisions

This Policy has been formulated for due compliance of Section 178 of the Act, read with rules framed there-under, and relevant provisions of the Listing Regulations.

The Policy & its applicability

This Policy, as formulated below, applies to the Board of Directors, Key Managerial Personnel and Senior Management Personnel of the Company.

1. Purpose

The primary objective of the Policy is to provide a framework and set benchmarks for the nomination, remuneration and evaluation of the Directors, KMP and SMP. The Company endeavours to attain an ideal mix of merit, experience, professional acumen and leadership traits amongst its Directors, KMP and SMP.

2. Accountabilities

The Board delegates the primary responsibility of assessing and selecting candidates to hold the office of Director, KMP and SMP to the Nomination and Remuneration Committee which inter-alia makes nominations / recommendations for appointment by the Board.

3. Role of the Nomination, and Remuneration Committee

The Nomination and Remuneration Committee is responsible:

- 3.1 To devise a policy on diversity of Board; to review the composition of the Board, adequacy of number of members on the Board and board diversity annually; and to make appropriate recommendations to correct any imbalance therein;
- 3.2 To formulate criteria for determining qualifications, positive attributes and independence of a director;
- 3.3 To identify persons who are qualified to become directors, and who may be appointed in senior management positions in accordance with the criteria laid down in the policy;
- 3.4 To recommend a remuneration policy for the Directors / KMP / SMP so appointed / re-appointed ensuring that level and composition of remuneration is reasonable and sufficient to attract, retain and motivate them and comprises of an ideal balance of fixed and variable compensation that is linked to meeting appropriate performance benchmarks, and within the frame work of the said policy, to recommend remuneration for such persons from time to time;
- 3.5 To formulate criteria for evaluation of performance of the independent directors, such evaluation is to be done by the Board (excluding the directors being evaluated);

- 3.6 To formulate criteria for evaluation of performance of the non-independent directors and the Board as a whole, such evaluation is to be done by the independent directors exclusively in their separate meeting;
- 3.7 To formulate criteria for evaluation of the Chairman's performance, to be done by the independent directors exclusively in their separate meeting taking into account the views of executive directors and non-executive directors;
- 3.8 To recommend to the Board the appointment and removal of directors and senior management;
- 3.9 To recommend to the Board on whether to extend or continue the term of appointment of the independent directors, on the basis of the report of performance evaluation of the independent directors;
- 3.10 Succession planning for Directors, KMP and SMP, and overseeing the transition process;
- 3.11 To carry out any other function as is mandated by the Board from time to time and / or required by the statute and the Listing Regulations or any amendment or modification therein, from time to time;
- 3.12 To perform such other functions as may be necessary or appropriate for the performance of its duties.

4. Appointment of Directors / KMP / SMP

- 4.1 The Nomination and Remuneration Committee while selecting a candidate for nomination to the Board shall first and fore-most evaluate the candidate's contribution in enhancing the competencies of the Board as a whole. When recommending a candidate for nomination for the office of director, the Nomination and Remuneration Committee shall:
 - assess the appointee in the back drop of a range of criteria which among others include his/her qualification, merit, experience, professional acumen and leadership skills, industry experience, and other qualities required to operate successfully in that position, and the benefits of the diversity in the Board, he/she brings;
 - consider the extent to which appointee is likely to contribute to the overall effectiveness of the Board while working constructively with the existing directors thus enhance the effectiveness of the Company's business;
 - consider further the nature of existing positions held by the appointee including directorships or other relationships and the impact these could have on the appointee's ability to exercise independent judgement; and
 - assess whether the appointee meets the statutory obligations, more so if the nomination is for the position of an independent director, and ensure that his/her independence is not compromised either due to any disability arising out of the requirements of Section 149 read with the rules framed there-under and Schedule IV to the Act or otherwise.

4.2 While selecting a candidate for the position of KMP / SMP, the Nomination and Remuneration Committee shall:

- assess the appointee in the back drop of a range of criteria which among others include his/her qualification, merit, experience, professional acumen and leadership skills, industry experience, and other qualities required to operate successfully in the position considered for.

The criteria discussed above may be listed as:

- Academic profile
 - Professional qualifications
 - Overall experience
 - Experience in diverse organisations / industry
 - Demonstrable leadership skills
 - Communication, inter-personal and representational skills
 - Ability to handle conflicting situations and conflict management
 - Commitment to high standards of governance, ethics, personal integrity and probity
 - Commitment to the promotion of equal opportunities for all
 - Commitment to continuous learning and professional development
- the extent to which appointee is likely to contribute to achieve the overall objectives of the Company, working constructively in tandem with peers.

5. **Letters of Appointment**

Each Director / KMP / SMP shall be issued a letter of appointment detailing the terms of appointment and the role assigned in the Company.

6. **Remuneration of Directors, KMP and SMP**

6.1 **Guiding Principles**

The guiding principle is that the quantum and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate the appointee as Director, KMP or SMP, and shall be commensurate to the academic and professional qualifications, overall experience, and the responsibilities the appointee is expected to shoulder. Needless to say the Nomination and Remuneration Committee shall also keep in mind the statutory provisions and limiting factors therein while deciding the remuneration of its Directors.

The Nomination and Remuneration Committee shall determine remuneration for Directors, KMP and SMP of the Company individually, primarily taking into account the factors listed in para 4.2 above as also the industry norms, prevailing business environment, financial health of the Company, extant regulatory guidelines or restrictions.

6.2 Remuneration Structure

The overall remuneration payable to the directors of the Company and to each one of the managing / whole-time director and non-executive director of the Company are governed by the provisions of Section 197 and 198 of the Act, rules framed there-under and Schedule V to the said Act.

Managing Director / Whole-time Director

The remuneration package of the Managing Director and/or the whole time directors has three components namely, salary, perquisites and commission on net profit as calculated in terms of Section 198 of the Act.

- a) **Salary** (Base salary as fixed compensation)
Ought to be competitive and reflective of the individual's role, responsibility and experience, usually reviewed on an annual basis based on the overall operational & financial performance and financial health of the Company.
- b) **Perquisites**
Benefits like housing accommodation or allowance in lieu thereof, employer's contribution to provident fund, gratuity, leave travel assistance, medical reimbursement, company car / telephone etc. which are normally part of remuneration package in line with the market practice.
- c) **Commission on net profit** (Variable compensation linked to profit)
A commission on profit not exceeding a specified percentage of net profit as calculated in terms of Section 198 of the Act for the concerned financial year is paid which acts as performance linked variable remuneration.

The Nomination and Remuneration Committee may in its discretion, structure any portion of remuneration as rewards linked to corporate and individual performance, fulfilment of specified targets or the attainment of certain financial or other objectives set by the Board. The amount payable is determined by the Committee, based on performance against pre-determined financial or non-financial metrics.

Non-executive Directors

Collectively all non-executive directors including the independent directors shall be paid remuneration up to an amount not exceeding 1% of the net profit of the Company as calculated in terms of Section 198 of the Act for the concerned financial year. The Nomination and Remuneration Committee may set any limit beyond which any such director may not be entitled for remuneration within the overall limit of 1% of the net profit collectively for all such directors. The remuneration payable to individual directors may vary within the limits specified above, based on their individual performance evaluation.

In addition to the above, the directors are entitled to and are paid sitting fees for attending the meetings of the Board and Committees thereof. The sitting fee thus payable shall not exceed the amount as prescribed under the Act from time to time.

The sitting fee paid to the independent directors shall not be less than the sitting fee payable to the other directors.

None of the directors including the independent directors are entitled to stock options.

- 6.3 The remuneration payable to the KMP shall be decided by the Board based on the recommendations of the Nomination and Remuneration Committee made in view of the factors listed in para 4.2 and guiding principles mentioned in para 6.1 above.
- 6.4 The remuneration payable to the SMP shall be decided based on the factors listed in para 4.2 and guiding principles mentioned in para 6.1 above and in overall consonance with this Policy.

7. Evaluation of Directors / KMP / SMP

The evaluation of the Directors, KMP and SMP of the Company shall be conducted annually.

The criteria for evaluating the performance of persons belonging to each of the categories namely, Directors, KMP and SMP are listed below:

Chairman

- Leadership abilities
- Stewarding the Board and shareholders' meetings
- Ensuring dissemination of timely, regular and adequate material information to the Board and the shareholders
- Whether he encourages other Board members to share their views
- Moderation of conflicting views
- Conducting meetings in an un-biased manner, giving adequate and fair representation to all at the meetings as well as while recording minutes of the proceedings

Managing Director / Whole-time Director

- Leadership abilities
- Contribution to define Corporate Objectives
- Achievements vis-a-vis Corporate Objectives
- Overall operational and financial performance of the Company
- Mitigation of significant risks
- Adherence of internal controls systems
- Corporate Governance and Legal Compliance Matrix
- Timely, regular and adequate dissemination of material information to the Board
- Communication of expectations and concerns with KMP & SMP
- Strategic planning aimed at sustainable growth of the Company

Independent Directors / Other Non-executive Directors

- Contribution towards enhancing Board's competency
- Leadership abilities

- Contribution towards defining Corporate Objectives and their achievement
- Contribution towards mitigation of significant risks and strengthening internal control systems
- Contribution towards strengthening Corporate Governance and Legal Compliance environment
- Contribution towards strategic planning for the growth of the Company
- Attendance at the Board / Committee meetings and participation there-at
- Contribution as a balancing force for the protection of minority shareholders' interest [exclusively for independent directors]

KMP / SMP

- Professional knowledge and acumen
- Ability to lead his team
- Contribution towards achieving the Corporate Objectives
- Contribution towards overall operational and financial performance of the Company
- Mitigation of significant risks pertaining to the functional area
- Adherence of standard operating procedures and internal controls systems
- Maintaining Governance, Legal Compliance environment and ethical behaviour
- Personal integrity, honesty and probity
- Timely, regular and adequate submission of material information to the Managing Director and/or the Board
- Constantly assess, evaluate and upgrade existing policies, structures and procedures to meet future challenges
- Cost consciousness
- Ability to handle conflicting situations and conflict management
- Commitment to the promotion of equal opportunities for all
- Commitment to continuous learning and professional development for self and team members
- Ability to work constructively in tandem with peers

Evaluation of the Chairman's performance shall be done by the independent directors exclusively in their separate meeting taking into account the views of executive directors and non-executive directors, based on the relevant parameters detailed above.

Evaluation on the aforesaid parameters will be conducted by the Independent Directors for the Managing / Whole-time Director and each of the Non-independent Directors in a separate meeting of the Independent Directors.

The Board will evaluate each of the Independent Directors on the aforesaid parameters. However, the Independent Director being evaluated at a given time shall not participate in the discussions at the relevant time.

8. Evaluation of the Board

The Independent Directors shall evaluate the functioning of the Board annually in their separate meeting. The parameters for evaluating the Board shall be as under:

- Could the Board lay down the Corporate Objectives clearly and effectively?
- Could the Board provide a distinct direction for growth foreseeing the future trends in the industry?
- Could the Board visualize significant risks and future challenges?
- Could the Board ensure achievement of annual targets and projected financial results / performance?
- Could the Board provide fresh impetus for accelerated growth?
- Could the Board plan strategically for the sustained growth of the Company?
- Could the Board ensure Board diversity?
- Could the Board ensure compliance with Corporate Governance, Company's Policies and Code of Conduct at all levels?

9. Removal

In case a director, KMP or SMP suffers from any disqualification mentioned in the Act or under any other statute or regulations; or under the Articles of Association or the Code of Conduct or any other Policy of the Company, the Committee may recommend to the Board with reasons recorded in writing, to remove a Director, KMP or SMP subject to a fair and equitable opportunity being provided to the said person to explain his position.

10. Retirement

The Director, KMP and SMP shall retire as per the applicable provisions of the Act and the prevailing policies of the Company. However, the Board shall have the discretion to extend or retain the services of such Director, KMP or SMP in the same position and remuneration or otherwise even after his attaining the age of retirement, for the benefit of the Company.

11. Composition of the Nomination and Remuneration Committee & conduct of its meetings

The Committee, as constituted by the Board, comprises of three (3) Independent Non-executive Directors. Hence, the Committee is chaired by an Independent Non-executive Director. In the absence of the Chairman, the members of the Committee present at the meeting elects one amongst themselves to act as the Chairman of the meeting.

The Committee meets as and when required to attend to its business and that any two members constitute a quorum for the Committee meetings.

Proceedings of all meetings are minuted and signed by the Chairman of the Committee. Minutes of the Committee meetings are tabled at the subsequent Committee meeting for confirmation and are also placed before the Board meeting held immediately after such Committee meetings.

Other provisions relating to the conduct of the Board meetings of the Company applies mutatis mutandis to the Committee meetings.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

12. Review and Amendment

The Committee or the Board may review, amend or re-state this Policy as and when it deems necessary. The Committee may supplement this Policy by issuing guidelines, procedures, formats, reporting mechanism etc. for its better implementation.

13. Deviations from the Policy

The Board, in extraordinary circumstances and on the recommendations of the Committee, may take decisions in deviation of this policy in the interests of the Company.

Note: The Original Policy effective 8th March, 2015, was amended and approved by the Board on 11th February, 2016.