

refreshingly different



LEMON TREE HOTELS LIMITED

NOMINATION AND REMUNERATION POLICY

1. INTRODUCTION

In terms of Section 178 of the Companies Act, 2013 read with applicable rules and regulations and in pursuance of the policy of Lemon Tree Hotels Limited ('Company') to consider its human resources as its invaluable assets, the Nomination and Remuneration Committee of the Company re-constituted on 18th September 2014 has formulated this policy on nomination and remuneration of Directors, Key managerial personnel, senior management personnel and other employees of the Company (hereinafter referred as 'Policy') and which has been adopted by the Board of Directors of the Company in its meeting on 19.02.2015.

2. POLICY OBJECTIVE

The objective of this Policy is to determine the criteria for appointment, removal, evaluation of performance of Directors and remuneration of Directors, key managerial personnel, senior management personnel and other employees.

3. DEFINITIONS

In this Policy unless the context otherwise requires:

- (a) "Act" means Companies Act, 2013 including the applicable Rules & regulations;
- (b) "Board of Directors" or "Board", in relation to the Company, means the collective body of the directors of the Company and includes the committees of the Board;
- (c) "Directors" means Directors of the Company appointed in terms of provisions of the Act;

- (d) "Independent Director" means a director referred to in Section 149 (6) of the Act;
- (e) "Key Managerial Personnel" or "KMP" in relation to a company, means:
 - (i) Chief Executive Officer ('CEO') or the Managing Director ('MD') or the Manager;
 - (ii) Company Secretary;
 - (iii) Whole-time Director ('WTD');
 - (iv) Chief Financial Officer; and
 - (v) such other officer as may be prescribed;
- (f) "NRC" means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board;
- (g) "Rules & regulations" refers to and comprise of Companies Act, 2013, The Companies (Meeting of Board and its Powers) Rules, 2014, The Companies (Appointment and Qualification of Directors) Rules, 2014, The Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014, and such other rules and provisions as applicable to the matters dealt in by this Policy;
- (h) "Senior Management Personnel" for this purpose shall mean employees of the company who are members of its core management team excluding Board of Directors. It would comprise all members of management one level below the executive director(s), including the functional / vertical heads.

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

4. APPLICABILITY

This Policy is applicable to:

- (i) Directors viz. Executive, Non-executive and Independent
- (ii) Key Managerial Personnel
- (iii) Senior Management Personnel
- (iv) Other Employees of the Company

5. GENERAL

This Policy is divided in three parts:

Part-A covers the matters to be dealt with and recommended by the NRC to the Board within Scope of Policy;

Part-B covers the appointment and nomination of Directors; and

Part-C covers remuneration etc for the Directors, Key Managerial Personnel and other employees.

PART-A

6. SCOPE

The matters to be dealt by NRC in terms of this Policy are as follows:

- a. Formulate the criteria for determining qualifications, positive attributes and independence of a director and identify persons who are qualified to become Directors and persons who may be appointed in Key Managerial and Senior Management Personnel, recommend to Board their appointment and removal;
- b. Carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company's operations;
- c. Determine remuneration based on the Company's size and financial position and trends and practices for remuneration prevailing in similar companies in the industry;

PART-B

7. APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

- a. The NRC shall identify and ascertain the positive attributes, integrity, independence, qualification, expertise and experience of the person for appointment as Directors, or Senior Management Personnel and recommend to the Board his / her appointment.
- b. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The NRC has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient for the concerned position.
- c. A person shall be appointed as Independent Director subject to the compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV and rules there under.
- d. The Company shall not appoint or continue the employment of any person as MD/WTD/Manager who is below the age of twenty one years or has attained the age of seventy years. Provided that the appointment of a person who has

attained the age of seventy years may be appointed 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 appointment of such person.

8. TERM/TENURE

a. MD/ WTD/ Manager

Subject to the applicable provisions of the Act and the Memorandum and Articles of Association of the Company, the Company shall appoint or re-appoint any person as its MD/WTD/Manager for a term of maximum five (5) consecutive years at a time. No re-appointment shall be made earlier than one (1) year before the expiry of term.

b. Independent Director

- (i) Subject to the applicable provisions of the Act, an Independent Director shall hold office for a maximum term of five (5) consecutive years on the Board of the Company with the approval of the shareholders in general meeting and will be eligible for re-appointment on passing of a special resolution by the shareholders of the Company for another term of maximum five (5) years and disclosure of such appointment be made in the Board's report.
- (ii) Any Independent Director, who has completed his two consecutive terms, 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 years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- (iii) The Independent Director shall not be liable to retire by rotation.

9. DISQUALIFICATIONS FOR APPOINTMENT/RE-APPOINTMENT OF DIRECTORS

Any person who is disqualified for appointment/re-appointment as a director in terms of Section 164 of the Act shall not be eligible for appointment/re-appointment, as the case may be, as a Director of a company.

10. EVALUATION

The NRC shall carry out evaluation of performance of every Director and a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors shall be disclosed in the Board Report.

11. REMOVAL

The NRC may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions of the Act.

12. RETIREMENT

The Director, KMP and Senior Management Personnel shall retire/resign as per the applicable provisions of the Act and the prevailing HR policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, subject to compliance of applicable laws, for the benefit of the Company.

PART – C

13. MATTERS RELATING TO THE REMUNERATION & PERQUISITES

- a. The NRC, while deciding the remuneration/compensation/profit-linked commission for the Directors, Key Managerial Personnel and other employees, to ensure :
 - (i) 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;
 - (ii) That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
 - (iii) That the remuneration to directors, key managerial personnel and other employees including senior management officials 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;
- b. The remuneration/ compensation/ profit-linked commission, etc. to the MD/WTD/Manager, Directors and Independent Directors and increments thereto will be determined by the NRC subject to the approval of the Board, shareholders of the Company and Central Government, wherever required, in accordance with the percentage / slabs / conditions in terms of the applicable provisions of the Act.
- c. Where any insurance is taken by the Company on behalf of its Whole-time Director, 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 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.

- d. Determination of remuneration and increments of KMP, Senior Management officials and other employees shall be effected in terms of the HR policies of the Company.

14. REMUNERATION TO MD/WTD/MANAGER

- a. Remuneration

Subject to Section 197 and Schedule V of the Act, the MD/WTD/Manager will be eligible for remuneration either by way of a monthly payment or at a specified percentage of the net profits of the company or partly by one way and partly by the other with the approval of the Shareholders of the Company on the recommendation of the NRC and the Board. The break-up of the pay scale, performance bonus 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 NRC and shall be within the overall remuneration approved by the shareholders and Central Government, wherever required in terms of the provisions of the Act.

- b. Minimum Remuneration

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its MD/WTD/Manager in accordance with the Act and if it is not able to comply with such provisions, then with the previous approval of the Central Government.

- c. Provisions for excess remuneration

If any MD/WTD/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.

15. REMUNERATION TO NON-EXECUTIVE/INDEPENDENT DIRECTOR

- a. Sitting Fees

The Non-executive Directors of the Company, whether Independent or not, may be paid sitting fees within maximum limit prescribed by the Act from time to time for attending meetings of the Board or Committees thereof. The quantum of sitting fees will be determined as per the recommendation of NRC and approved by the Board of Directors of the Company. The Company may make arrangement or

reimburse the expenses incurred by the Non-Executive/ Independent Director(s) for travelling, boarding and lodging for participation in the Board or Committee meetings.

b. Commission

The Board, on recommendation of NRC, may consider the payment of profit based commission to the Non-Executive/ Independent Directors and such commission may be paid within the prescribed limits and subject to the Board approvals in terms of the provisions of Act from time to time. The net profits for the purposes of calculation of commission shall be computed in the manner referred to in section 198 of Act.

c. Stock Options

Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company. The officers or other employees of the Company and its subsidiaries will be granted stock options in terms of the Company Employees Stock Option policy subject to special resolution passed by company and such other conditions as may be prescribed by the Act.

16. REMUNERATION TO KMP, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

- a. The KMP, Senior Management Personnel and other employees of the Company shall be paid monthly remuneration, salary advance and loans etc. as per the Company's HR policies and / or as approved by the NRC. The break-up of the pay scale and quantum of perquisites including employer's contribution to P.F., pension scheme, medical expenses, club fees, etc. shall be as per the Company's HR policies.
- b. As and when required by the NRC, a presentation shall be given by the HR Head detailing the performance bonus payouts as well as the proposed increments in any financial year. The NRC shall peruse and give its suggestions, if any, on the process for giving increments and performance bonus payouts for implementation by the Company.
- c. This Policy shall apply to all future/continuing employment/engagement(s) with the Company. In other respects, the Policy shall be of guidance for the Board. Any departure from the Policy shall be recorded and reasoned in the NRC and Board meeting minutes.
- d. The remuneration for KMP and Senior Managerial Personnel of the Company shall be approved by the NRC based on the recommendation of the Chairman & Managing Director and for other employees based on the recommendation of the HR Head in consultation with the Heads of various Department/Hotels of the Company. In case any of the relevant regulations require that remuneration of

KMPs or any other officer is to be specifically approved by the NRC and/or the Board of Directors/Shareholders, then such approval will be accordingly obtained.

17. DISSEMINATION

The key features of the Policy shall be published on Company's website and accordingly will also be disclosed in the Annual Report as part of Board's report therein.

18. MISCELLANEOUS

- a. The NRC or the Board may review the Policy as and when it deems necessary.
- b. The NRC may issue the guidelines, procedures, formats, reporting mechanism for better implementation of this Policy, wherever it thinks necessary.
- c. This Policy may be amended or substituted, in whole or in part, by the NRC or Board.
- d. In case of any statutory change not being consistent with the provisions laid down under this Policy, then such change shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such statutory change to the Act and the Compliance Officer of the Company shall ensure that such amendment is disseminated on the website of the Company, wherever required.