

Policy on Nomination & Remuneration

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NOMINATION & REMUNERATION POLICY

Pursuant to Section 178 of the Companies Act, 2013 read with Regulation 19 of SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015

1 PREAMBLE

CommTEL Networks Limited ('the Company' or 'CommTEL Networks') considers human resource as its invaluable assets. We believe that organizational development and employee development are inseparably linked. This policy aims to harmonize the aspirations of the Directors/ CEO & other employees with the organizational goals, values and strategies.

As a further step in the above direction, this Policy sets guidelines on qualification, positive attributes, appointment, removal, performance evaluation and remuneration of Directors, Key Management Personnel and Senior Management of the Company.

The Board has constituted the Nomination and Remuneration Committee ("NRC") pursuant to the provisions of Section 178 of the Companies Act, 2013 ("Act") and the rules made thereunder read with the Corporate Governance Guidelines as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). This Policy sets out the broad guiding principles for the Committee for recommending to the Board, the appointment and remuneration of the Directors, CEO & Senior Management Personnel.

The Policy on nomination and remuneration of Directors, CEO & Senior Management Personnel ("SMP") and all other employees has been formulated as below:

2 EFFECTIVE DATE

This Policy will be effective from its adoption by the Board of Directors.

3 DEFINITIONS

☞ **"Board"** means Board of Directors of the Company;

☞ **"Company"** means CommTEL Networks Limited;

☞ **"Director"** means a Director appointed on the Board of the Company;

☞ **"CEO"** means a Chief Executive Officer appointed by the Board of the Company;

☞ **"Key Managerial Personnel"**, in relation to a company, means:

(i) The Chief Executive Officer or the Managing Director;

(ii) The Company Secretary;

- (iii) The Whole-Time Director;
 - (iv) The Chief Financial Officer;
 - (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - (vi) Such other officer as may be prescribed.
- ☞ “Senior Management Personnel (“SMP”)” shall mean all members of management one level below the executive directors, including the functional heads of CommTEL Networks Limited and of its subsidiaries. The Chief Executive Officer, Company Secretary and Chief Financial Officer of the Company shall be deemed to be the Senior Management.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 and Listing Regulations (as amended from time to time) shall have the meaning respectively assigned to them therein.

4 OBJECTIVES OF POLICY

The key objectives of the Policy are:

- ☞ To formulate criteria and advise the Board in matters of determining qualifications, competencies, positive attributes and independence of Directors;
- ☞ To formulate criteria relating to appointment, and removal of Directors, KMP, Senior Management and other employees;
- ☞ To review corporate goals and objectives, to set norms of performance evaluation and to lay out remuneration principles for Directors, KMP and Senior Management linked to their effort, performance, and contribution towards achievement of organizational goals;
- ☞ To evaluate performance and give recommendations to the Board on remuneration payable to the Directors, KMP and Senior Management, and;
- ☞ To review and recommend to the Board measures to retain and motivate talent including KMP and Senior Management Personnel with a view to ensuring long term sustainability and competitiveness of the organization.

5 GUIDING PRINCIPLES:

While formulating and implementing this Policy, the NRC will continue to ensure that;

- ☞ The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and Senior Management Personnel considering the need for long term success of the Company;

- ☞ Relationship of remuneration to performance is clear and meets appropriate performance benchmarks, and;
- ☞ 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.

6 ROLE OF NOMINATION AND REMUNERATION COMMITTEE

- ☞ Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- ☞ For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
 - use the services of an external agencies, if required;
 - consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - consider the time commitments of the candidates.
- ☞ Formulation of criteria for evaluation of performance of independent directors and the board of directors;
- ☞ Devising a policy on diversity of board of directors;
- ☞ Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;
- ☞ To determine whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- ☞ Recommend to the board, all remuneration, in whatever form, payable to senior management;
- ☞ Succession planning for the Board and Senior Management of the Company;
- ☞ Carry out such other functions as are required or appropriate in discharging their duties and other key issues/matters as may be referred by the Board or as may be necessary in view of the SEBI (Listing Obligations and Disclosure

Requirements) Regulations, 2015, as amended and provision of the Companies Act, 2013 and Rules thereunder.

7 SCOPE OF THE COMMITTEE

7.1 SIZE AND COMPOSITION OF THE BOARD

Periodically reviewing and recommending to the Board on the size and composition of the Board to ensure that in addition to meeting statutory criteria, the Board is well structured to make appropriate decisions and benefits from a variety of perspectives and skills, in the best interests of the Company as a whole.

7.2 FORMULATION OF CRITERIA

Formulating criteria to determine qualifications, positive attributes and independence of Directors and recommending candidates to the Board; and when circumstances warrant, the appointment of a new Director, having regard to the range of skills, experience and expertise, on the Board and who will best complement the Board.

7.3 SUCCESSION PLANS

Reviewing from time to time that appropriate succession plans are in place.

7.4 BOARD DIVERSITY

Assisting the Board in accordance with the Board Diversity Policy, to ensure the Board nomination process with regard to diversity of gender, thought, experience, knowledge and perspective on the Board.

8 NOMINATION & APPOINTMENT

8.1 CRITERIA AND QUALIFICATIONS FOR APPOINTMENT

- ⌚ A person to be appointed as Director, Key Managerial Personnel (KMP) or at Senior Management level should possess adequate and relevant qualification, expertise and experience for the position that he/ she is being considered for. The NRC will evaluate whether qualification, expertise, knowledge and experience possessed by a person is sufficient / satisfactory for the concerned position and the NRC will make appropriate recommendations to the Board of Directors;
- ⌚ A person, to be appointed as Director, should possess an impeccable reputation for integrity, expertise and insight in sectors/ areas relevant to the Company, besides ability to contribute to the Company's growth and should possess complementary skills in relation to the other Board members;

- ⌚ The Company shall not appoint or continue the employment of any person as Managing Director or KMP who incurs disqualification prescribed in any of the laws;
- ⌚ A whole-time KMP of the Company as per the Section 203 of the Act shall not hold office in more than one company except in its subsidiary company at the same time. However, a whole-time KMP can be appointed as a Director in any company, with the prior permission of the Board of Directors of the Company and upon fulfilling other requirements as may be necessary under the relevant law;
- ⌚ Appointment / re-appointment of a Director, KMP or Senior Management shall be confirmed through a formal letter stating terms of appointment;
- ⌚ The NRC will review and identify Directors retiring by rotation and recommend to the Board their re-appointment in line with their performance evaluation, eligibility, and merits;
- ⌚ The Company shall not appoint a person as Managing Director, Whole-Time Director, or Manager who is under the age of 21 years or has attained the age of 70 years. However, a person who has attained the age of 70 years may be appointed to such position by passing a special resolution at a general meeting of the Company;
- ⌚ The Company shall not appoint a person and shall not continue the directorship of any person as a non-executive director who has attained the age of seventy-five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

8.2 TERM/TENURE

a. Managing Director/ Whole-time Director(s) (Executive Directors)

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

At the time of appointment of an Managing Director and/or Whole-time Director(s) (Executive Directors) and throughout his/her tenure as Managing Director and/or Whole-time Director(s) (Executive Directors), it should be ensured that the number of Boards and committees on which such Managing Director and/or Whole-time Director(s) (Executive Directors) serves is within the maximum limit prescribed under the prevailing Act, rules and Listing Regulations.

b. Independent Director

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Shareholders of the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided, however, 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.

At the time of appointment or re-appointment, and throughout his/her tenure as an Independent Director, the Company shall ensure the following:

- i. The individual meets the criteria for independence as prescribed under the Companies Act and the Listing Regulations;
- ii. The individual holds a valid registration with the Independent Directors Databank and has either passed the online proficiency self-assessment test or has been granted an exemption from the same, as applicable;
- iii. The number of boards and committees on which the individual serves is within the limits prescribed under the applicable laws, rules, and regulations.

c. Removal

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder, any other applicable law, rules and regulations or agreements entered thereto, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions of the relevant law.

d. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing 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, for the benefit of the Company.

9 REMUNERATION FOR DIRECTORS, KMPs, SENIOR MANAGEMENT AND OTHER EMPLOYEES

9.1 PROCEDURE

- ☞ The remuneration to Directors/ Key Managerial Personnel and Senior Management will be recommended by NRC to the Board for approval. The remuneration (including increment's) to the Directors, so recommended by NRC to the Board, should be within the limits and conditions prescribed under the Companies Act, 2013, Listing Regulations and other regulations, as applicable and as approved by the shareholders of the Company, in case required;
- ☞ All the Directors (except Independent Director's, employees belonging to promoter and promoter group and directors directly or indirectly holding more than 10% of the equity shares of the Company) shall be entitled to any Stock option of the Company.

9.2 NON-EXECUTIVE/ INDEPENDENT DIRECTOR

- ☞ Sitting Fees: The Non-Executive / Independent Directors 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 Rs. One lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.
- ☞ Commission: The Non-Executive / Independent Directors will also be entitled to receive profit related commission on annual basis, of such sum as may be approved by the Board on the recommendation of Nomination and Remuneration Committee subject to the provisions of the Companies Act, 2013 and rules made thereunder.
- ☞ Stock Options: The Independent Directors shall not be entitled to any stock option of the Company.

9.3 MANAGING DIRECTOR/ WHOLE-TIME DIRECTORS

- ☞ Remuneration to the Managing Director / Whole-time Director(s) (Executive Director(s)) shall be in accordance with the provisions of the Companies Act, 2013, read with the Rules made thereunder;
- ☞ The terms of Appointment shall be subject to approval of the Board and shareholders of the Company and as may be defined in the Employment Agreement, as may be applicable;
- ☞ The Managing Director / Whole-time Director(s) shall not be entitled to sitting fees for attending the meetings of Board of Directors or Committees thereof.

9.4 REMUNERATION TO OTHER KMP'S & SENIOR MANAGEMENT

The remuneration to KMP's excluding Managing Director and Whole-time Director and Senior Management of the Company as defined under Companies Act, 2013 and Listing Regulations respectively read with related rules and regulations made thereunder, will be fixed after taking into account, educational and professional qualification, experience and expertise of the personnel and the competitive market practices.

Key Principles for consideration of remuneration:

- ☞ Remuneration should be sufficient to attract, retain and motivate best talent that suits to the requirement of the Company;
- ☞ Remuneration practice should be consistent with the recognized best standard practices for KMPs./SMPs;
- ☞ Criticality of the roles and responsibility;
- ☞ Difficulty of replacement;
- ☞ Risk of resignation;
- ☞ Current compensation trends in the market.

Elements of the Remuneration structure:

The remuneration may include:

- ☞ Fixed salary;
- ☞ Perquisites and Allowances;
- ☞ Performance-linked bonus or performance related pay (PRP) which shall be a cumulative outcome of both the individual target achievement level as well as the Company's Performance;
- ☞ Over and above, the KMP/Senior Management may be offered;
- ☞ Special awards for breakthrough business performance;
- ☞ Commission on annual profits;
- ☞ Other benefits in accordance with the market practice;
- ☞ Annual remuneration reviews shall be based on individual performance, Company Performance, market environment and future plans.

Compensation of top 10 Employees in terms of their salary to be presented with the NRC members on Annual Basis.

10 PERFORMANCE EVALUATION PROCESS

The process of performance evaluation provides a systematic approach for communicating goals, expectations and objectives to each one as well as documenting individual performance. The process of performance evaluation is covered in three steps:

Goal Setting:

Performance expectations and goals are set for the assessment period in the start for each financial year in CommTEL's HRMS.

Performance Review:

Performance review is conducted at the end of the financial year. The outcome of this review would result in the identification of training needs, rewards and recognition and career development.

Performance Appraisal:

Performance Appraisal is done based on careful consideration of performance for the assessment period.

At CommTEL Networks, a 5-point rating scale for measuring Performance based on Goals and Outcomes and Behavioural Competencies is adopted.

11 MEETINGS OF THE NRC

The NRC shall meet at least once in a financial year. The Company Secretary shall act as the Secretary. The quorum for the meeting shall be either two members or one third of the members of the committee whichever is greater, including at least one independent director in attendance. The NRC may invite such executives as it considers appropriate, to remain present at the meeting. A member of NRC is not entitled to participate in the meeting when his/her own performance/ remuneration is being discussed.

12 POLICY REVIEW/ AMENDMENTS

In case of subsequent changes in the provisions of the Companies Act, 2013 or Listing Regulations or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the changes in law.