

# **KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**

## **NOMINATION, REMUNERATION AND EVALUATION POLICY**

### **INTRODUCTION**

In terms of section 178 of the Companies Act, 2013 and the Listing Agreement, entered into by the company with Stock Exchange, as amended from time to time, this policy on nomination and remuneration of directors, Key Managerial Personnel (KMP), senior management and other employees of the company has been formulated by the nomination and remuneration committee of the company and approved by the board of directors vide its resolution dated 23.5.2014. This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a director, matters relating to the remuneration, appointment, removal and evaluation of performance of the directors, KMP and Senior Management Personnel including functional heads (one level below the Board).

### **OBJECTIVE OF THE POLICY**

The policy is framed with the objective(s):

1. That the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, KMP, Senior Management Personnel of the quality required to run the company successfully
2. That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks
3. That the remuneration to directors, KMP, and Senior Management Personnel (one level below the Board) of the company 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
4. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become directors (Executive and Non-executive) and persons who may be appointed in Senior Management (one level below the Board), key managerial positions and to determine their remuneration
5. To determine remuneration based on the company's size and financial position and trends and practices on remuneration prevailing in peer companies in the industry
6. To carry out evaluation of the performance of directors, as well as key managerial and Senior Management Personnel (one level below the Board) and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the company's operations; and

7. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage
8. To lay down criteria for appointment and removal of directors, KMP and Senior Management Personnel (one level below the Board) and evaluation of their performance

In the context of the aforesaid criteria the following policy has been formulated by the nomination and remuneration committee and adopted by the board of directors at its meeting held on 23.5.2014.

## **DEFINITIONS**

In this policy unless the context otherwise requires:

1. 'Act' means Companies Act, 2013 and rules thereunder
2. 'Board of directors' or 'board', in relation to the company, means the collective body of the directors of the company
3. 'Committee' means Nomination and Remuneration Committee of the company as constituted or reconstituted by the board
4. 'Company' means Kovai Medical Center and Hospital Limited
5. 'Directors' means directors of the company
6. 'Independent Director' means a director referred to in Section 149 (6) of the Companies Act, 2013
7. 'Key Managerial Personnel' (KMP) means:
  - a. Chief Executive Officer and / or Managing Director
  - b. Whole-time Director
  - c. Chief Financial Officer
  - d. Company Secretary
  - e. Such other officer as may be prescribed
8. 'Ministry' means the Ministry of Corporate Affairs

9. '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, Listing Agreement and such other rules and provisions as applicable to the matters dealt in by this policy
10. '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 Board, including the functional heads.
11. Senior Management means executive positions one level below the Board of Directors including functional heads.

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

#### **CONSTITUTION OF THE COMMITTEE**

The committee will consist of three or more non-executive directors, out of which at least one-half shall be independent director(s), provided that chairperson of the company may be appointed as a member of this committee but shall not chair the committee.

The committee will meet at such intervals as it may deem fit to carry out the objectives set out in the policy. A quorum of two members is required to be present for the proceedings to take place. The committee members may attend the meeting physically or via permitted audio-visual mode, subject to the provisions of the applicable Regulations. The committee shall have the authority to call such employee(s), senior official(s) and / or externals, as it deems fit. The Company Secretary shall act as secretary to the committee.

#### **FUNCTIONS OF THE COMMITTEE**

The committee shall, inter-alia, perform the following functions:

1. Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the board their appointment and removal and shall carry out evaluation of every director's performance

2. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board a policy, relating to the remuneration for the directors, key managerial personnel, Senior Management Personnel and other employees
3. Ensure that the board comprises of a balanced combination of executive directors and non- executive directors and also the independent directors
4. Devise framework to ensure that directors are inducted through suitable familiarization process covering their roles, responsibility and liability
5. Oversee the formulation and implementation of ESOP Schemes, its administration, supervision, and formulating detailed terms and conditions in accordance with SEBI guidelines
6. Decide/ approve details of fixed components and performance linked incentives along with the performance criteria
7. Formulate the criteria for evaluation of independent directors and the board
8. The committee shall assist the board in ensuring that plans are in place for orderly succession for appointments to the board and to senior management

The chairman of the committee could be present at the Annual General Meeting, to answer the shareholders' queries. However, it would be up to the chairman to decide who should answer the queries.

Provided that committee may set up mechanism to carry out its functions and is further authorized to delegate any / all of its powers to any of the directors and / or officers of the company, as deemed necessary for proper and expeditious execution.

#### **APPLICABILITY**

This policy is applicable to:

1. Directors (Executive and Non-executive)
2. KMP
3. Senior management personnel

#### **APPOINTMENT OF DIRECTOR, KMP AND SENIOR MANAGEMENT**

1. The committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as director, KMP or at senior management level and recommend to the board his / her appointment

2. A person should possess adequate qualification, expertise and experience for the position he/she is considered for appointment. The committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/ satisfactory for the concerned position.
3. Appointment of independent directors is subject to compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV and rules thereunder
4. The company shall not appoint or continue the employment of any person as whole-time director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years 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 extension of appointment beyond seventy years

### **MANAGING DIRECTOR / WHOLE-TIME DIRECTOR**

The company shall appoint or re-appoint any person as its managing director, joint managing director or executive director 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.

### **INDEPENDENT DIRECTOR**

Subject to the provisions of the applicable Regulations, 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 company.

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 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 of independent director, it should be ensured that number of boards on which such independent director serves is restricted to seven listed companies as an independent director and three listed companies as an independent director in case such person is serving as a whole-time director of a listed company or such prescribed number by the statutory authority from time to time

## **FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTOR**

1. 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 programs
2. The details of such familiarization programs shall be disclosed on the company's website and a web link thereto shall also be given in the Annual Report

## **EVALUATION**

Following are the criteria for evaluation of performance of independent directors and the board:

### **1. Executive Directors**

The executive directors shall be evaluated on the basis of targets/ criteria given to executive directors by the board from time to time

### **2. Non-Executive Director**

The Non-Executive Directors shall be evaluated on the basis of the following criteria i.e. whether they:

- a) Act objectively and constructively while exercising their duties;
- b) Effectively deploy knowledge and expertise;
- c) Maintain confidentiality and Integrity and Independence of behavior and judgment;
- d) Exercise their responsibilities in a bona fide manner in the interest of the company;
- e) Devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- f) Do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- g) Refrain from any action that would lead to loss of his independence
- h) Inform the board immediately when they lose their independence,
- i) Assist the company in implementing the best corporate governance practices.
- j) Strive to attend all meetings of the board of directors and the committees;

- k) Participate constructively and actively in the committees of the board in which they are chairpersons or members;
- l) Keep themselves well informed about the company and the external environment in which it operates;
- m) Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
- n) Abide by company's Memorandum and Articles of Association, company's policies and procedures including code of conduct, insider trading guidelines etc.

### **DISQUALIFICATIONS FOR APPOINTMENT OF DIRECTORS**

A person shall not be eligible for appointment as a director of the company, if he is disqualified under section 164 of the Companies Act, 2013 or under any other regulations.

### **REMOVAL**

The committee 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 Companies Act, 2013, and all other applicable Acts, Rules and Regulations, if any.

### **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.

### **BOARD DIVERSITY**

The board of directors shall have the optimum combination of directors from the different areas /fields like management, finance, marketing, legal etc. or as may be considered appropriate.

The board shall have at least one board member who has accounting or related financial management expertise and at least three members who are financially literate.

## **MATTERS RELATING TO THE REMUNERATION, PERQUISITES FOR THE DIRECTORS, KMP AND SENIOR MANAGEMENT PERSONNEL**

1. The remuneration/ compensation/ profit-linked commission etc. to the executive and non-executive directors will be determined by the committee and recommended to the board for approval. The remuneration/ compensation/ profit-linked commission etc. shall be in accordance with the percentage/ slabs/ conditions laid down in the Act and shall be subject to the prior/ post approval of the shareholders of the company and Central Government, wherever required.
2. The committee may in its discretion structure any portion of remuneration to link rewards to corporate and individual performance, fulfillment of specified improvement 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 and non-financial metrics.
3. As regards the remuneration of KMP, senior management personnel and other employees, the determination shall be effected by way of presentation before the committee, which would have requisite details. The committee shall peruse the same and approve accordingly.

### **REMUNERATION TO WHOLE-TIME / EXECUTIVE / MANAGING DIRECTOR**

#### **Remuneration**

The whole-time director shall be eligible for remuneration as may be approved by the shareholders of the company on the recommendation of the committee and the board of directors. 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 committee and shall be within the overall remuneration approved by the shareholders and Central Government, wherever required.

#### **Minimum remuneration**

If, in any financial year, the company has no profits or its profits are inadequate, the company shall pay remuneration to its whole-time director in accordance with the provisions of the Companies Act, 2013 and if it is not able to comply with such provisions, then with the previous approval of the Central Government.



## **REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTOR**

### **Sitting Fees**

The non-executive independent directors of the company shall be paid sitting fees and such other variable pay, if any, as per the applicable regulations. The quantum of sitting fees and variable pay, if any, will be determined as per the recommendation of the committee and approved by the board of directors of the company. The boarding and lodging expenses shall be reimbursed.

### **Stock Options**

Pursuant to the provisions of the Act, an independent director shall not be entitled to any stock option of the company.

## **REMUNERATION TO KMP, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES**

The Remuneration to be paid to KMPs/ senior management personnel shall be based on the experience, qualification and expertise of the related personnel.

The KMP, senior management personnel and other employees of the company shall be paid monthly remuneration as per the company's HR policies and/or as may be approved by the committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses etc. shall be as per the company's HR policies.

The remuneration details shall be presented before the committee which would have requisite details setting out the proposed increments for the next financial year. The committee shall peruse and forward the same to the board of directors of the company.

This remuneration policy shall apply to all future/ continuing employment/ engagement(s) with the company. In other respects, the remuneration policy shall be of guidance for the board. Any departure from the policy shall be recorded and reasoned in the committee and board meeting minutes.

### **DISSEMINATION**

The details of the policy and the evaluation criteria as applicable shall be published on company's website and accordingly disclosed in the annual report as part of board's report therein.

## **AMENDMENT TO THE POLICY**

The board of directors on its own and / or as per the recommendations of the committee can amend this policy, as and when deemed fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.