

# ADVANI HOTELS & RESORTS (INDIA) LIMITED

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## NOMINATION AND REMUNERATION POLICY:

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### 1. Objective:

The Nominating and Remuneration Committee (the "Committee") is a committee of the Board of Directors (the "Board") of Advani Hotels & Resorts (India) Limited ("AHRIL"). The Constitution of the Committee and this policy shall comply with Section 178 of the Companies Act, 2013 (the "Act"), read along with the applicable rules thereto and Clause 49 under the Listing Agreement ("Clause 49").

The Key Objectives of the Committee would be:

- i) To ensure that the AHRIL's Nomination and Remuneration philosophy and programs support the achievement of its business strategy and overall corporate goals and objectives;
- ii) To ensure 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;
- iii) To ensure the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- iv) To ensure the remuneration to directors, Key Managerial Personnel (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 goal;
- v) To evaluate the performance of the members of the Board and provide a necessary report to the Board for further evaluation of the Board.
- vi) To recommend to the Board on Remuneration payable to the Directors, KMP and Senior Management.
- vii) To provide to directors, KMP and Senior Management rewards linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- viii) To devise a policy on Board diversity.
- ix) To develop a succession plan for the Board and to regularly review the plan;

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### 2. DEFINITIONS:

- a) "Act" means the Companies Act, 2013, and Rules framed thereunder, as amended from time to time.
- b) "Board" means Board of Directors of the Company.
- c) "Directors" mean Directors of the Company.
- d) "Key Managerial Personnel" (KMP) means
  - i) Chief Executive Officer, the Managing Director, or the Manager;
  - ii) Whole-time director;
  - iii) Chief Financial Officer;
  - iv) Company Secretary; and
  - v) such other officer as may be prescribed.
- e) "Senior Management" means Senior Management means personnel of the company who are members of its core management team, excluding the Board of Directors. It comprises all members of the management who are one level below the Executive Directors and includes the Functional Heads.

### 3. Reporting:

The Committee shall report to the Board.

### 4. Composition of Committee:

- i) The Composition of this Committee shall always be in consistent with the applicable provisions of the Companies Act, 2013, and the relevant Rules made thereunder, and the provisions of the Corporate Governance of Listing Agreements entered into by the Company with the Stock Exchanges.
- ii) At the request of the Committee, certain members of AHRIL's senior management and others may attend Committee meetings on an ad hoc or a regular basis.

### 5. Appointment of Committee Members:

- i) Committee members shall be appointed from time to time by the Board, and may be removed or replaced at any time by the Board and shall, in any event, cease to be a director.
- ii) The Committee shall consist of a minimum of 3 non-executive directors, the majority of them being independent.
- iii) Minimum 2 members shall constitute a quorum for the Committee meeting.
- iv) Membership of the Committee shall be disclosed in the Annual Report.

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**6. Vacancies:**

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

**7. Committee Chairperson:**

- i) Chairperson of the Committee shall be an Independent Director.
- ii) Chairperson of the Company may be appointed as a member of the Committee, but shall not be the Chairman of the Committee.
- iii) In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- iv) Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting, or may nominate some other member to answer the shareholders' queries.

**8. Secretary:**

The Company Secretary of the Company shall act as a Secretary of the Committee and shall keep minutes of the meetings of the Committee.

**9. Committee Meetings:**

- i) The meeting of the Committee shall be held at such regular intervals as may be required. A meeting may be called by the Board Chairman or any member of the Committee.
- ii) Committee meetings may be held in person or through video conferencing or other audiovisual means or by a combination of any of the foregoing.

**10. Notice of Meeting:**

- i) Notice of the date, time and place of each meeting may be given in writing, by facsimile, or by electronic means to each member of the Committee at least seven days prior to the time fixed for such meeting.
- ii) A member may, in any manner, waive notice of the meeting. Attendance of a member at a meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called.

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### 11. Quorum:

The quorum for a meeting of the Committee shall be one-third of its total strength or two directors, whichever is higher, and participation of the members of the Committee by video conferencing or by other audiovisual means or by a combination thereof shall also be counted for the quorum.

### 12. Attendance at Meetings:

- i) The Managing Director is expected to be available to attend meetings or portions thereof.
- ii) The Committee may, by specific invitation, have other resource persons in attendance.
- iii) The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee.
- iv) Directors, who are not members of the Committee, may attend Committee meetings, on an ad hoc basis, upon prior consultation and approval by the Committee Chair or by a majority of the Committee.

### 13. Voting:

- i) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting, and any such decision shall, for all purposes, be deemed a decision of the Committee.
- ii) In the case of equality of votes, the Chairman of the meeting shall have a casting vote

### 14. MINUTES:

Minutes of Committee meetings shall be sent to all the members of the Committee. The Board of Directors shall take note of the Minutes of each Committee meeting in its succeeding Board meeting.

### 15. ROLE OF COMMITTEE:

#### I. **Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee:**

The Committee shall:

- a. Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- b. Identify persons who are qualified to become Directors and persons who may be appointed in KMP and Senior Management positions in accordance with the criteria laid down in this policy.

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- c. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- d. Be available as a forum for addressing the concerns of individual Directors.
- e. From time to time, consider, develop, recommend and bring forward to the Board of Directors, any corporate governance issues or principles for review, discussion or action by the Board or a Committee thereof.
- f. Provide orientation and an education program for new Board and Committee members and for the continued development of existing members of the Board.
- g. Review industry and regulatory developments and emerging compensation governance principles to ensure the Company's executive remuneration program, human resources, pension and retirement plans and programs remain aligned with the Company's business strategy, corporate goals and objectives, compensation philosophy and recognised best practices.
- h. Develop and maintain a list of potential candidates.

## II. Guiding principles for appointment and removal of Director, KMP and Senior Management:

### A. Appointment criteria and qualifications:

- a) 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.
- b) A person should possess adequate qualifications, expertise and experience for the position he/she is considered for appointment. The Committee has discretion to decide whether the qualification, expertise and experience possessed by a person are sufficient/satisfactory for the concerned position.

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- c) 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 the 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.

**B. Term / Tenure:**

**a) Managing Director, Executive / Whole-time Directors:**

The Company shall appoint or re-appoint any person as its Executive Chairman, 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 the term.

**b) Independent Directors:**

- 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 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 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. However, if a person who has already served as an Independent Director for 5 years or more in the Company as on October 1, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he/ she shall be eligible for appointment for one more term of 5 years only.

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- At the time of appointment of an Independent Director, it should be ensured that the 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 other number as may be prescribed under the Act.

**C. Evaluation:**

The Committee shall evaluate the performance of every Director, KMP and Senior Management Personnel at regular intervals (yearly).

**D. Removal:**

With reference to the reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, 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 and compliance of the said Act, rules and regulations.

**E. 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 or otherwise, even after attaining the retirement age, for the benefit of the Company.

**III. Policy relating to the Remuneration for the Directors, KMP and Senior Management Personnel**

**A. General:**

- a. The remuneration/compensation/commission, etc., to the Managing Director, Executive/Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration/compensation/commission, etc. shall be subject to the prior/post approval of the shareholders of the Company and the Central Government, wherever required.

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- b. The remuneration and commission to be paid to the Managing Director and Executive/Whole-time Director shall be in accordance with the percentage/slabs/conditions laid down in the provisions of the Act.
- c. Increments to the existing remuneration/compensation structure may be recommended by the Committee to the Board, which should be within the slabs approved by the Shareholders in the case of the Managing Director, and Executive / Whole-time Director.
- d. Where any insurance is taken by the Company on behalf of its Managing Director (ED), Executive/Whole-time Directors, Chief Financial Officer (CFO), Company Secretary (CS) 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 a person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

### **B. Remuneration to Managing Director, Whole-time/Executive Directors:**

The elements of the remuneration and limits are pursuant to the provisions of Sections 178, 197 and Schedule V of the Act.

#### **a. Basic Salary:**

- i) Provides for a fixed, per-month, base level remuneration to reflect the scale and dynamics of business to be competitive in the external market
- ii) Will be subject to an annual increase as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors.

#### **b. Commission:**

- i) Executive Directors may be allowed remuneration, by way of commission, which is in addition to the Basic Salary, Perquisites and any other Allowances, benefits and amenities.

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- ii) Subject to the condition that the amount of commission shall not exceed the limit prescribed under the applicable provisions of the Companies Act, 2013.
- iii) The amount of commission shall be paid subject to the recommendation of the Nomination & Remuneration committee and approval of the Board and shareholders of the Company.
- c. **Perquisites and Allowances:**  
A basket of Perquisites and Allowances would also form a part of the remuneration structure.
- d. **Contribution to Provident and Other funds:**  
In addition to the above, the remuneration would also include:
  - I. Contribution to Provident and Superannuation Funds
  - II. Gratuity
- e. **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 / Executive Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- f. **Provisions for excess remuneration:**  
If any Whole-time / Executive Director 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.

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### C. Remuneration to Non- Executive/Independent Director:

#### a. Remuneration/Commission:

The remuneration/commission shall be commensurate with the performance of the business of the Company and subject to the conditions mentioned in the Companies Act, 2013.

#### b. Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of the Board or Committee thereof. Provided that the amount of such fees shall not exceed One Lakh Rupees per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

#### c. Commission:

Non-Executive/Independent Director may be paid a commission within the limit prescribed under the applicable provisions of the Act, subject to the recommendation of the Nomination and Remuneration committee and approval of the Board and Shareholders of the Company.

Further subject to the provisions of Sections 197 and 198 of the Act and the relevant Rules made thereunder, an Independent Director shall not be entitled to any stock option and shall receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof, reimbursement of expenses for participation in the Board and other meetings and profit related commissions, if any, as may be approved by the Shareholders.

### D. Remuneration to Senior Management Personnel and KMPs excluding Managing Director and Executive / Whole-time Directors:

- i) The remuneration for the Senior Management Personnel, KMPs excluding Managing Director and Executive / Whole-time Directors and staff at AHRIL would be guided by the external competitiveness and internal parity through annual benchmarking surveys.
- ii) Internally, performance ratings of all AHRIL Employees would be spread across a normal distribution curve. The rating obtained by an employee will be used as an input to

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determine Merit Pay increases. Merit pay increases will be calculated using a combination of individual performance and organisational performance. Grade-wise differentiation in the fixed pay as well as in the increment percentage must be made.

- iii) Compensation can also be determined based on identified skill sets critical to the success of the Company. It is determined as per management's review of market demand and supply.

### 16. NOMINATION DUTIES:

The duties of the Committee in relation to nomination functions include:

- i) to ensure that there is an appropriate induction in place for new Directors and members of Senior Management, and reviewing its effectiveness;
- ii) Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- iii) To ensure the appointment process of Independent Directors shall be independent of the Company management;
- iv) While recommending the Independent Directors' appointment to the Board, the Committee shall ensure that there is an appropriate balance of skills, experience and knowledge in the Board to enable the Board to discharge its functions and duties effectively;
- v) Identifying and recommending Directors who are to be put forward for retirement by rotation.
- vi) Determining the appropriate size, diversity and composition of the Board;
- vii) Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the Company, subject to the provisions of the law and their service contract;
- viii) Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

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- ix) Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from a business and compliance perspective;
- x) to ensure that on appointment to the Board, Independent Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- xi) Consider the competencies and skills of each new nominee and whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.
- xii) Oversee the evaluation of, assess and consider the effectiveness of the Board as a whole, the Committees of the Board and the contribution of individual members periodically.
- xiii) Generally, discuss with the Chairman and Managing Director before making recommendations to the Board, except where the Committee deems it inappropriate or not in AHRIL's best interests to do so.
- xiv) Delegating any of its powers to one or more of its members of the Committee;
- xv) Recommend any necessary changes to the Board; and
- xvi) Considering any other matters, as may be requested by the Board.

### 17. **REMUNERATION DUTIES:**

The duties of the Committee in relation to remuneration functions include:

- i) to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract, retain and motivate members of the Board and such other factors as the Committee shall deem appropriate, all elements of the remuneration of the members of the Board.
- ii) Review the compensation peer group(s) used by the Committee and the Board to assess the market competitiveness of the executive remuneration program;

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- iii) Review the market competitiveness of the executive remuneration program, including, without limitation, relative to the remuneration philosophy and compensation peer group;
- iv) On an annual basis, evaluate, review and recommend to the Board:
  - (a) Organisation's goals and objectives relevant to compensation for the Managing Director; and
  - (b) In light of the performance of the Managing Director relative to such pre-determined corporate goals and objectives, annual total direct compensation for the Chairman & Managing Director, including, without limitation, annual base salary; reward opportunity under the annual incentive plan; and reward opportunity under any applicable long-term incentive plan(s);
- v) To approve the remuneration of the Senior Management, including key managerial personnel of the Company, maintaining a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company.
- vi) On an annual basis, review the Chairman & Managing Director's:
  - (a) evaluation of the performance of the respective Functional Heads; and
  - (b) Recommended annual total direct compensation for each Functional Head, including, without limitation, annual base salary; reward opportunity under the annual incentive plan; and reward opportunity under any applicable long-term incentive plan(s), for purposes of recommending annual total direct compensation of each Functional Head to the Board;
- vii) Upon the appointment or promotion of an individual to a Functional Head role, reviewing and recommending to the Board annual total compensation for such individual in his or her capacity as a Functional Head. Where such an appointment or promotion occurs between Committee meetings, such authority shall be delegated to the Board Chairman and the Committee Chair, and communicated to the Committee and the Board at the next scheduled meeting.
- viii) Professional indemnity and liability insurance for Directors, KMP and senior management.

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- ix) Review and recommend to the Board the adoption of any new cash-based or share-based incentive compensation plans or any significant amendments thereto, including, without limitation, the Employee Stock Option Plan, Employee Stock Purchase Schemes;
  - x) Review and recommend to the Board:
    - (a) the performance criteria (including, without limitation, performance range and/or applicable performance thresholds or targets) applicable to the Company's incentive compensation plans; and
    - (b) Following completion of the respective performance cycle, the extent to which such performance criteria have been achieved by the Company, including, without limitation:
      - (i) vesting opportunity under cash-based or share-based incentive plans; and
      - (ii) reward eligibility under the annual incentive plan;
  - xi) Upon the appointment or promotion of an individual to a Functional Head role, reviewing and recommending to the Board annual total compensation for such individual in his or her capacity as a Functional Head. Where such an appointment or promotion occurs between Committee meetings, such authority shall be delegated to the Board Chairman and the Committee Chair, and communicated to the Committee and Board at the next scheduled meeting.
  - xii) Review the Company's compensation programs and practices to ensure they do not encourage excessive or inappropriate risk-taking among its executive officers, and conduct, at least annually, a risk assessment in respect of such programs and practices;
  - xiii) To consider any other matters as may be requested by the Board.
18. **Guidelines for determining qualifications, positive attributes & independence of a director:**
- (i) Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
  - (ii) Actively update their knowledge and skills with the latest developments in the Company's business activities and the industry as a whole, market conditions and applicable legal frameworks.

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- (iii) Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities
- (iv) To assist in bringing independent judgment to bear on the Board's deliberations, especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct and business ethics.
- (v) Ability to develop a good working relationship with the fellow Board members and contribute to the Board's working relationship with the KMP and senior management of the Company.
- (vi) To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders, employees and other stakeholders.
- (vii) Independent Directors to meet the requirements of the Act, read with the Rules made thereunder, and Clause 49 of the Listing Agreement as amended from time to time
- (viii) To practice and encourage professionalism and a transparent working environment.
- (ix) To adhere strictly to the code of conduct.

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