

## **Policy on Board Diversity and Director Attributes**

### **1. Objective**

1.1 The Policy on Board Diversity ('the Policy') sets out the approach to diversity on the Board of Directors ('the Board') of Prayagraj Power Generation Company Limited (the Company).

1.2 The Company recognises that diversity at Board level is a necessary requirement in ensuring an effective Board. A mix of executive, independent and other non-executive Directors is one important facet of diverse attributes that the Company desires. Further, a diverse Board representing differences in the educational qualifications, knowledge, experience, gender, age, thought and perspective results in delivering a competitive advantage and a better appreciation of the interests of stakeholders. These differences should be balanced against the need for a cohesive, effective Board. All Board appointments shall be made on merit having regard to this policy.

### **2. Attributes of Directors**

The following attributes need to be considered in considering optimum Board composition:

- i) Gender diversity: Having at least one Woman Director on the Board with an aspiration to reach three Women Directors.
- ii) Age: The average age of Board members should be in the range of 60 - 65 years.
- iii) Competency: The Board should have a mix of members with different educational qualifications, knowledge and with adequate experience in finance, accounting, economics, legal and regulatory matters, the environment, green technologies, operations of the Company's businesses, energy commodity markets and other disciplines related to the Company's businesses.
- iv) Independence: The Independent Directors should satisfy the requirements of the Companies Act, 2013 (the Act) and the listing agreements in respect of the 'independence' criterion.

#### Additional Attributes

- The Directors should not have any other pecuniary relationship with the Company, its subsidiaries, associates or joint ventures and the Company's promoters, besides sitting fees and commission.
- The Directors should not have any of their relatives (as defined in the Act and Rules made thereunder) as Directors or employees or other stakeholders (other than with immaterial dealings) of the Company, its subsidiaries, associates or joint ventures.
- The Directors should maintain an arm's length relationship between themselves and the employees of the Company, as also with the Directors and employees of its subsidiaries, associates, joint ventures, promoters and stakeholders for whom the relationship with these entities is material.
- The Directors should not be the subject of allegations of illegal or unethical behaviour, in their private or professional lives.
- The Directors should have ability to devote sufficient time to the affairs of the Company.

### **3. Role of the Nomination and Remuneration Committee**

3.1 The Nomination and Remuneration Committee ('the NRC') shall review and assess Board composition whilst recommending the appointment or reappointment of Independent Directors.

### **4. Review of the Policy**

4.1 The NRC will review the policy periodically and recommend revisions to the Board for consideration.

## **REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

The philosophy for remuneration of Directors, Key Managerial Personnel (“KMP”) and all other employees of Prayagraj Power Generation Company Limited (“Company”) is based on the commitment of fostering a culture of leadership with trust. The remuneration policy is aligned to this philosophy.

This remuneration policy has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 (“Act”). In case of any inconsistency between the provisions of law and this remuneration policy, the provisions of the law shall prevail and the Company shall abide by the applicable law. While formulating this policy, the Nomination and Remuneration Committee (“NRC”) has considered the factors laid down under Section 178(4) of the Act, which are as under:

- “(a) 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;
- “(b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- “(c) remuneration to Directors, key managerial personnel 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.”

Key principles governing this remuneration policy are as follows:

- **Remuneration for Independent Directors and Non-Independent Non-Executive Directors**
  - Independent Directors (“ID”) and Non-Independent Non-Executive Directors (“NED”) may be paid sitting fees (for attending the meetings of the Board and of Committees of which they may be members) and commission within regulatory limits.
  - Within the parameters prescribed by law, the payment of sitting fees and commission will be recommended by the NRC and approved by the Board.
  - Overall remuneration (sitting fees and commission) should be reasonable and sufficient to attract, retain and motivate Directors aligned to the requirements of the Company (taking into consideration the challenges faced by the Company and its future growth imperatives).
  - Overall remuneration should be reflective of size of the Company, complexity of the sector/industry/Company’s operations and the Company’s capacity to pay the remuneration.
  - Overall remuneration practices should be consistent with recognized best practices.
  - Quantum of sitting fees may be subject to review on a periodic basis, as required.
  - The aggregate commission payable to all the NEDs and IDs will be recommended by the NRC to the Board based on Company performance, profits, return to investors, shareholder value creation and any other significant qualitative parameters as may be decided by the Board.
  - The NRC will recommend to the Board the quantum of commission for each Director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee meetings, individual contributions at the meetings and contributions made by Directors other than in meetings.



- In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/Board Committee meetings, general meetings, court convened meetings, meetings with shareholders/creditors/management, site visits, induction and training (organized by the Company for Directors) and in obtaining professional advice from independent advisors in the furtherance of his/her duties as a Director.
- **Remuneration for Managing Director (“MD”)/Executive Directors (“ED”)/KMP/rest of the employees<sup>1</sup>**
  - The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Hence remuneration should be:
    - Market competitive (market for every role is defined as Companies from which the Company attracts talent or Companies to which the Company loses talent).
    - Driven by the role played by the individual.
    - Reflective of size of the Company, complexity of the sector/industry/Company's operations and the Company's capacity to pay.
    - Consistent with recognized best practices.
    - Aligned to any regulatory requirements.
  - In terms of remuneration mix or composition:
    - The remuneration mix for the MD/EDs is as per the contract approved by the shareholders. In case of any change, the same would require the approval of the shareholders.
    - Basic/fixed salary is provided to all employees to ensure that there is a steady income in line with their skills and experience.
    - In addition to the basic/fixed salary, the Company provides employees with certain perquisites, allowances and benefits to enable a certain level of lifestyle and to offer scope for savings and tax optimization, where possible. The Company also provides all employees with a social security net (subject to limits) by covering medical expenses and hospitalisation through re-imbursments or insurance cover and accidental death and dismemberment through personal accident insurance.
    - The Company provides retirement benefits as applicable.
    - In addition to the basic/fixed salary, benefits, perquisites and allowances as provided above, the Company provides MD/EDs such remuneration by way of commission, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board, subject to the overall ceilings stipulated in Section 197 of the Act. The specific amount payable to the MD/EDs would be based on performance as evaluated by the Board or the NRC and approved by the Board.
    - The Company provides the rest of the employees a performance linked bonus. The performance linked bonus would be driven by the outcome of the performance appraisal process and the performance of the Company.
- **Remuneration payable to Director for services rendered in other capacity**

The remuneration payable to the Directors shall be inclusive of any remuneration payable for services rendered by such Director in any other capacity unless:

- a) The services rendered are of a professional nature; and
- b) The NRC is of the opinion that the Director possesses requisite qualification for the practice of the profession.

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<sup>1</sup> Excludes employees covered by any long term settlements or specific term contracts. The remuneration for these employees would be driven by the respective long term settlements or contracts.

- **Policy implementation**

The NRC is responsible for recommending the remuneration policy to the Board. The Board is responsible for approving and overseeing implementation of the remuneration policy.