



GUJARAT GAS LIMITED

NOMINATION AND REMUNERATION POLICY

1. INTRODUCTION:

In compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company has constituted the Nomination and Remuneration Committee of the Company.

The role of the Nomination and Remuneration Committee inter alia includes the following:

- a. Formulation of criteria for determining qualifications, positive attributes and independence of a director.
- b. Formulation of criteria for evaluation of performance of Independent Directors and the Board.
- c. Identify 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 their appointment and removal.
- d. To devise a policy on Board diversity
- e. Formulate and recommend to the Board a Policy relating to the remuneration for the directors, key managerial personnel and other employees
- f. To formulate, administer and monitor detailed terms and conditions of the Employees' Stock Option Scheme(s) of the Company.
- g. To carry out any other function as delegated by the Board from time to time and / or required by any statutory notification, amendment or modification, as may be applicable.

Accordingly the Nomination & Remuneration Policy of Gujarat Gas Limited has been formulated and adopted by the Board of Directors of the Company.

2. DEFINITIONS:

In this Policy unless the context otherwise requires:

- i. "Act" means the Companies Act, 2013 and Rules framed there under, as amended from time to time.
- ii. "Board" means Board of Directors of the Company.
- iii. "Company" means Gujarat Gas Limited

- iv. “Director” means a person who has been appointed as Director on the Board of the Company.
- v. “Employees Stock Option” means the Option given to the Directors, Officers or Employees of a Company or of its holding company or subsidiary company or companies, if any, which gives such Directors, Officers or Employees, the benefit or right to purchase, or to subscribe for, the Shares of the Company at a future date at a pre-determined price.
- vi. “Evaluation Policy” means policy approved by the Board of Directors of the Company for evaluation of performance of Directors, Committees & Board.
- vii. “HR Policy” means the HR policy adapted by the Company from time to time.
- viii. “Independent Director” means an independent director as defined under section 2 (47) of the Act read with provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ix. “Key Managerial Personnel (KMP)” means
 - a) Chief Executive Officer or the Managerial Person
 - b) Company Secretary
 - c) Chief Financial Officer and
 - d) Such other officer as may be prescribed under the Act.
- x. “Managerial Person” means any person appointed as Managing Director or Whole Time Director or Manager of the Company in accordance with the provisions of the Companies Act, 2013.
- xi. “Nomination and Remuneration Committee” or the “NRC Committee” means a Committee of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- xii. “Policy” means Nomination & Remuneration Policy of the Company.
- xiii. “Remuneration” means any money or its equivalent given or passed to any person for services rendered by him/her and includes perquisites as defined under the Income Tax Act, 1961.
- xiv. “Senior Management” means those personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the executive directors including all functional 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.)

3. APPLICABILITY:

This Policy is applicable to:

- a) Directors (Executive & Non-Executive)
- b) Key Managerial Personnel
- c) Senior Management Personnel
- d) Other Employees of the Company

4. GENERAL:

This Policy is divided in three parts:

Part – A: Objective of the Nomination & Remuneration Policy

Part– B: Criteria for Appointment and Removal of Director, KMP and Senior Management

Part – C: Policy for Remuneration of Director, KMP and Senior Management

Part-A

I) Constitution of Nomination & Remuneration Committee:

The NRC Committee shall consist of a minimum 3 non – executive directors, majority of them being independent. Minimum 3 members shall constitute a quorum for the NRC Committee meeting. Chairman of the NRC Committee shall be an Independent Director.

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 shareholder's queries.

II) Objectives of the Policy:

The key objectives for adopting the Policy are as follows:

- a. To lay down criteria, 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 Key Managerial positions and Senior Management.
- b. To formulate the criteria for determining qualifications, positive attributes and independence of a director
- c. To ensure 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;
- d. To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- e. To ensure that 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.

Part-B

CRITERIA FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT:

I) Appointment criteria and qualifications:

1. So long as the Government of Gujarat and/or their respective nominees are holding not less than 26 percent of shares in the equity share capital of the company either directly or indirectly, the Chairman of the Board of Directors shall be nominated/appointed by the Government of Gujarat and/or their respective nominees, from time to time.

So long as Government of Gujarat and /or their respective nominees are holding not less than 26 per cent of shares in the equity share capital of the Company either directly or indirectly, the Government of Gujarat, shall be entitled to nominate and appoint up to one-third of the Directors (including the Chairman of the Board of Directors) (who are herein, referred to as "Government Directors") on the Board of Directors of the Company, who shall be permanent Directors. Each such Director shall not be liable to retire by rotation or be removed by the Company. Each such Director shall hold office until he is either removed from the office or another is nominated and appointed in his place by the Govt. of Gujarat and/or their respective nominees, or until he vacates the office by resignation or otherwise. The remaining Directors shall be appointed as per the provisions of the Act and the Articles of Association of the Company.

The Shareholders of the Company holding not less than 25% of the paid up share capital of the Company shall have a right to appoint/ nominate at least 1 director on the Board of the Company.

2. Directors should fulfill the qualification and other criteria laid down in the Companies Act, 2013 and should not be disqualified to become a Director.
3. An Independent Director should meet the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 concerning independence of directors.
4. The Company shall not appoint or continue the employment of any person as Managerial Person 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 as may be required under the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws.

II) Term/Tenure:

1. Managerial Person:
 - The Company shall appoint or re-appoint any person as its Managerial Person for a term as may be specified under Companies Act, 2013 from time to time.

2. 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 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 any person as an Independent Director, it should be ensured that number of Boards on which such person serves as a Director/Whole-time Director is not exceeding the permissible limit under the Companies Act, 2013 and/or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as the case may be from time to time.

III) Evaluation:

Evaluation of performance of every Director, KMP and Senior Management will be carried out at regular interval (preferably atleast once in a year) in accordance with the Evaluation Policy/HR Policy as may be applicable.

IV) Removal:

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations or HR Policy, the Committee and/or Board subject to the provisions and compliance of the said Act, rules and regulations or HR Policy may consider removal of a Director, KMP or Senior Management and the Committee/Board as the case may be will record the reasons in writing.

V) Retirement:

The Director, KMP and Senior Management shall retire as per provisions of the Companies Act, 2013 and HR Policy as may be applicable. The Board will have the discretion to retain the Director, KMP, Senior Management after attaining the retirement age, at such position/remuneration as it may deem fit for the benefit of the Company.

Part-C

POLICY FOR REMUNERATION TO DIRECTORS/KMP/ SR. MANAGEMENT PERSONNEL:

In the context of the objectives as mentioned above, the Policy is framed to device a mechanism that allows competitive and fair remuneration & rewards for the achievement of key deliverables by Directors, KMP and Senior Management of the Company and in doing so, following shall act as a benchmark:

I) Guiding Principles:

- a) Remuneration should commensurate to the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry.
- b) The level of Remuneration should be sufficient to attract, retain, motivate and promote talent so as to ensure long term sustainability of talented managerial persons and create competitive advantage of human capital of the company as compared to peer companies in the industry.
- c) Remuneration to Directors, Key Managerial Personnel and Senior Management should involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- d) It is clarified that presently, the sitting fees in respect of IAS directors (which are in services of Govt. of Gujarat) is being deposited with the government treasury at the end of each financial year based on his/her actual attendance as per directions of Govt.

II) Remuneration Mechanism:

- i. The Directors (executive & non executive) of the Company will be entitled to receive the remuneration / compensation / commission etc. if any, approved by the Board of Directors. The remuneration / compensation / commission etc. shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company, the Act and shall be subject to the prior / post approval of the shareholders of the Company and/or Central Government, wherever required.
- ii. The Non Executive Directors shall be entitled to receive sitting fees for attending Board/Committee meetings (either as a member or special invitee), of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Act or such amount as may be prescribed by the Central Government from time to time and shall also be paid out of pocket expenses for attending such meeting.
- iii. The remuneration and other terms of the KMP (other than Managerial Person), Senior Management Personnel and other employees shall be governed by the HR Policy.

The components of the total remuneration vary for different grades and are governed by the various criteria like qualifications, experience, merit etc of the employee.

- iv. The Company may have Employees Stock Option Schemes or other schemes which are share based with an objective to attract, retain talent, reward loyalty/association of employees, reward for performance and create long-term shareholder value. Such Stock Option Schemes or any other similar scheme if any, should be in compliance with the guidelines, regulations, rules etc. issued by SEBI in that relation from time to time.

Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock options of the Company.

- v. Where any insurance is taken by the Company on behalf of its Key Managerial Personnel or 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.

5. DEVIATIONS FROM THE POLICY

This Policy shall be of guidance for the Board. Any departure/deviation from the policy when deemed necessary in the interests of the Company will be made and be reasoned and recorded.

6. AMENDMENT TO THE POLICY:

This Policy can be amended by the Board of Directors on its own or based on the recommendation made by the Nomination and Remuneration Committee as and when deemed fit from time to time.

7. DISCLOSURE OF THE POLICY:

The Nomination & Remuneration Policy of the Company or contents thereof will be disclosed in the Board's Report and at such other places in such manner as may be required under the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 from time to time.