

REMUNERATION POLICY

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REMUNERATION POLICY

The Policy reflects PNB Gilts Limited's ("the Company") objectives for good corporate governance as well as sustained long-term value creation for shareholders. The Remuneration Policy is applicable to Independent Directors, Non-Independent Directors, KMPs, senior management and other employees. HR Policy including Service Regulations, increment policy etc. of the Company is part of this Policy. The Nomination and Remuneration Committee ("the Committee") makes a recommendation to the Board of the remuneration policy set forthwith for its approval.

PURPOSE AND BASIC PRINCIPLES

The Remuneration Policy seeks to ensure adequate remuneration in recognition of their dedication and the responsibility assumed, and in accordance with the remuneration paid in the market at comparable domestic and international companies, taking into account the long term interest of all the shareholders.

The guiding principle is to offer remuneration systems that make it possible to attract, retain, and motivate the most outstanding professionals in order to enable the Company to attain its strategic objectives within the increasingly competitive and internationalized context in which they operate.

The Remuneration Policy seeks to:-

- Ensure that the remuneration, in terms of structure and total amount, is in line with best practices, as well as competitive vis-à-vis that of comparable entities.
- Establish the remuneration, in accordance with objective standards, based on individual performance and on the achievement of the business objectives of the Company and the Group.
- Include a significant annual variable component tied to performance and to the achievement of specific, pre-established, quantifiable objectives in line with the corporate interest and strategic goals of the Company. The foregoing should be understood to be without prejudice to the possibility of considering other objectives, especially in the area of corporate governance and corporate social responsibility.
- Foster and encourage the attainment of the strategic goals of the Company through the inclusion of long-term incentives, strengthening continuity in the competitive development of the company, of its directors, and of its management team, and generating a motivating effect that acts as a driving force to ensure the loyalty and retention of the best professionals.
- Set appropriate limits to any short-term or long-term variable remuneration, and establish suitable mechanisms to reconsider the implementation and payment of any deferred variable remuneration when a reformulation occurs that has a negative effect on the Company's consolidated annual accounts, including the potential total or partial cancellation of the payment of deferred variable remuneration if there is a correction of the annual accounts upon which such remuneration was based.

COMPETENT BODIES

The Board of Directors, at the proposal of the Nomination and Remuneration Committee, is the body with authority to determine the remuneration of directors within the overall limit established in the Companies Act, 2013 ("the Act").

LIMIT ON DIRECTORS REMUNERATION

Pursuant to the provisions of the Act and rules made thereunder, the Directors' Remuneration shall be within the overall limits defined under Section 197 and other applicable provisions of the Companies Act, 2013 and Schedule V of the Act and Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). The terms of services, including remuneration matters, of Managing Director, Executive Director, other KMPs, senior management and other employees shall be subject to Service Regulations of the Company, which is being reviewed by Nomination & Remuneration Committee and approved by the Board on annual basis.

STRUCTURE OF REMUNERATION OF MANAGING DIRECTOR, EXECUTIVE DIRECTOR, KMPs and other employees

The remuneration that Managing Director and Executive Director are entitled to receive for the performance of executive duties at the Company is structured as follows:

a) Fixed Remuneration/CTC –

(i) Fixed Remuneration/CTC of Managing Director & CEO and Executive Director & CFO-

This portion of the remuneration shall be in line with the remuneration paid in the market by competing companies.

Under ordinary circumstances, it includes remuneration by way of *salary, perquisites and allowances*. The Nomination & Remuneration Committee recommends suitable package to the Board for approval, which is subject to shareholders' approval as required under the Act and Listing Regulations and limits stipulated under Schedule V of the Companies Act, 2013.

(ii) Fixed Remuneration/CTC of KMPs, Senior Management and other employees -

Remuneration of employees largely consists of *salary, perquisites, and allowances*. The detailed components of the fixed remuneration are defined in the service regulations of the Company. These components shall be governed by performance parameters defined in the Increment Policy of the Company. Annual increments are given each year in line with said increment policy. The remuneration to be paid to Senior Management / KMP shall be recommended by Nomination & Remuneration Committee to the Board for approval. For rest of employees, the Competent Authority is as defined under HR Policy of the Company.

b) Variable Remuneration

In order to strengthen employees' commitment to the Company, to retain and promote a better performance of their duties, the Company gives a performance linked incentive. This variable remuneration shall be tied, for the most part, to the achievement of specific and pre-established profit targets and other objectives as a Primary Dealer that are quantifiable and aligned with the corporate interest and with the strategic objectives of the Company. The Nomination and Remuneration Committee will assess the achievement of Company's objectives vis-à-vis individual performance. The Committee may seek the advice of independent

professionals in this regard. The proposal thereof shall be submitted to the Board of Directors for approval on annual basis. While assessing the performance of the employee, the Committee/Board also broadly takes into account the profits earned by the Company for the year.

The recommending authority must ensure appropriate balance between fixed and variable remuneration.

STRUCTURE OF REMUNERATION OF NON-EXECUTIVE / INDEPENDENT DIRECTORS

Remuneration of Non-Executive/ Independent Directors is subject the provisions of Section 197 of the Companies Act, 2013 & Rules made thereof , prescribed Listing Regulations and Articles of Association of the Company.

The Board approves the sitting fee payable to Non-executive/Independent Directors only. At present, members of the Board are entitled to sitting fee of Rs. 40000/- and the Chairman of the Board is entitled to sitting of Rs. 50000/- for attending each meeting of the Board. Further, for attending each meeting of Audit Committee / CSR Committee / Nomination and Remuneration Committee/ Risk Management Committee/ IT Strategy Committee, member directors of the Committee are entitled to sitting fee of Rs. 25000/- and Chairman of the respective Committee is entitled to sitting of Rs. 30000/- for attending each such Committee meeting. For “Only Independent Directors’ Meeting”, each independent director attending the meeting is entitled to a sitting fee of Rs. 25000/- per attendance. Sitting fee for attending each meeting of (a) Share Transfer and Issue of Duplicate Shares Committee; and (b) Stakeholders’ Relationship Committee and the honorarium to be paid to Independent Directors for holding interviews, if any, is Rs. 10000/-. In addition, out of pocket expenses incurred by them in connection with performance of duties as a Director are also reimbursable.

PRINCIPLE OF FULL TRANSPARENCY

The Board of Directors assumes the commitment to enforce the principle of the fullest transparency of all the items of remuneration received by all directors, providing clear and adequate information as much in advance as required and in line with the good governance recommendations generally recognised in international markets in the area of director remuneration.

For such purpose, the Board of Directors establishes this *Remuneration Policy* and ensures the transparency of director remuneration by including in the Company’s report a detailed breakdown, according to positions and status, of all remuneration received by the directors, whether as such, in their capacity as executives, if applicable, or in any other capacity. The Company's Remuneration Policy shall be published suitably in the Directors’ report or Annual Report .

GENERAL

Any or all provisions of this Policy would be subject to revision/amendment in accordance with the guidelines etc. on the subject as may be issued by Government/regulatory bodies etc., from time to time.