

NOMINATION AND REMUNERATION POLICY

1. INTRODUCTION

This policy on Nomination and Remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated subject to the provisions of Section 178 of the Companies Act, 2013 and rules made thereunder (the Act) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), as amended from time to time.

2. OBJECTIVE

- 2.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 2.2. To formulate the criteria and terms to determine qualifications, attributes and independence of Directors;
- 2.3. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 2.4. To determine remuneration of the Directors, Key Managerial Personnel and Senior Management employees and other employees based on the Company's size of business, financial position and trends and practices prevailing in similar companies in the industry;
- 2.5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 2.6. To devise a policy on Board diversity.
- 2.7. To develop a succession plan for the Board and to regularly review the plan.

1. DEFINITIONS

- 1.1. **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 1.2. **Board** means Board of Directors of the Company.
- 1.3. **Committee** means Nomination and Remuneration Committee of the Company constituted under Section 178 of the Act and rules framed thereunder and Regulation 19 of the Listing Regulations as amended from time to time.

- 1.4. **Directors** mean Directors of the Company.
- 1.5. **Key Managerial Personnel** means
 - 2.4.1 Chief Executive Officer or the Managing Director or the Manager;
 - 2.4.2 Whole-time Director;
 - 2.4.3 Chief Financial Officer;
 - 2.4.4 Company Secretary; and
 - 2.4.5 Such other officer not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - 2.4.6 Such other officer as may be prescribed
- 1.6. **Listing Regulations** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- 1.7. **Senior Management** means the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer or Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as key managerial personnel, other than the board of directors, by the Company.

2. ROLE OF THE COMMITTEE

2.1. The Committee shall:

- 2.1.1. Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the board of Directors a policy relating to, the remuneration of the Directors, Key Managerial Personnel and other employees

For every appointment of an Independent Director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director. The person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- a. *use the services of an external agencies, if required;*
- b. *consider candidates from a wide range of backgrounds, having due regard to diversity;*
- c. *consider the time commitments of the candidates.*

- 2.1.2. Identify persons who are qualified to become Directors and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- 2.1.3. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- 2.1.4. Formulate a criteria for evaluation of performance of Independent Directors and the Board of Directors
- 2.1.5. Determine whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- 2.1.6. Devise a policy on diversity of Board of Directors
- 2.1.7. Recommend to the Board, all remuneration, in whatever form, payable to Senior Management.

2.2. **Policy for appointment and removal of Director, KMP and Senior Management**

2.2.1. **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 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.
- c) The Company shall not appoint or continue the employment of any person as Managing Director/ 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.

2.2.2. **Term / Tenure**

- a) **Managing Director/Whole-time Director:**
The Company shall appoint or re-appoint any person as a Managing Director/Whole-time 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.

b) 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 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.

- 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 such number of Companies as prescribed under the Act and Listing Regulations.

2.2.3. Key Managerial Personnel:

In terms of the provisions of Section 203 of the Act, a Whole-time Key Managerial Personnel (KMP) shall not hold office in more than one Company except in its Subsidiary Company at the same time.

However, the KMP can be a Director in any other Company (which may or may not be a Subsidiary) with the approval of the Board.

2.2.4. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

2.2.5. Removal

Due to 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.

2.2.6. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act, rules and regulations 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.

2.3. Policy relating to the Remuneration for the Managing Director, Whole-time Director, KMP and Senior Management Personnel**2.3.1. General:**

- a) The remuneration / commission etc. to the Managing Director, Whole-time Director, Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval in accordance with the Act and Listing Regulations. The remuneration / compensation / commission etc. shall be subject to the approval of the Shareholders of the Company by way of Ordinary/Special resolution, as required under the Act and Listing Regulations.
- b) Increments to the existing remuneration/ commission structure may be recommended by the Committee to the Board. Such increments subject to the approval of the Shareholders of the Company by way of Ordinary/Special resolution, as required under the Act and Listing Regulations.
- c) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary 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 person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

2.3.2. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

- a) Fixed pay:
The Managing Director/ Whole-time Director/ Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale 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/ the Person authorized by the Board on the recommendation of the

Committee and approved by the Shareholders by way of special resolution, wherever required.

- b) **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 Schedule V of the Act and if it is not able to comply with such provisions, with the approval of the Shareholders by way of special resolution.
- c) **Provisions for excess remuneration:**
If any Whole-time 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 approval of the Shareholders by way of special resolution, wherever 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 Shareholders.

The remuneration payable to Whole-time / Executive / Managing Director shall be in compliance of the Listing Regulations, as amended from time to time.

2.3.3. Remuneration to Non- Executive / Independent Director:

- a) **Sitting Fees:**
The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.
- b) **Commission:**
The remuneration / commission shall be fixed by the Board within the limits stated in the Act or as per the limits approved by the shareholders.
- c) **Stock Options:**
An Independent Director shall not be entitled to any stock option of the Company.

3. COMPOSITION OF THE COMMITTEE AND QUORUM

- 3.1. The Committee shall consist of a minimum three Directors.
- 3.2. All Directors of the committee shall be Non-Executive Directors out of which at least two-third shall be Independent Directors.

- 3.3. At least two members or one third of the members of the Committee, whichever is greater, including at least one Independent Director in attendance shall constitute a quorum for the Committee meeting.
- 3.4. Composition of the Committee shall be disclosed in the Annual Report.
- 3.5. Term of the Committee shall be continued unless terminated by the Board of Directors.

4. CHAIRPERSON

- 4.1. Chairperson of the Committee shall be an Independent Director.
- 4.2. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- 4.3. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- 4.4. Chairperson of the Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

5. FREQUENCY OF COMMITTEE MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required provided minimum one meeting shall be held in every financial year.

6. COMMITTEE MEMBERS' INTERESTS

- 6.1. A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- 6.2. The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

7. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

8. VOTING

- 8.1. 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.
- 8.2. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

9. NOMINATION DUTIES

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

- 9.1. Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- 9.2. Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- 9.3. Identifying and recommending Directors who are to be put forward for retirement by rotation.
- 9.4. Determining the appropriate size, diversity and composition of the Board;
- 9.5. Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- 9.6. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- 9.7. Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- 9.8. 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 provision of the law and their service contract.
- 9.9. Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- 9.10. Recommend any necessary changes to the Board; and
- 9.11. Considering any other matters, as may be requested by the Board.

10. REMUNERATION DUTIES

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

- 10.1. 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.
- 10.2. 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.
- 10.3. To delegate any of its powers to one or more of its members or the Secretary of the Committee.
 - 10.4. To consider any other matters as may be requested by the Board.
 - 10.5. Professional indemnity and liability insurance for Directors and Senior Management, if any.

11. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairperson of the Meeting before or at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

12. DISCLOSURE

The Company shall disclose the following in the Board's report and the Financial Statements:

- a) In the Board's Report, such particulars as are prescribed under the Companies Act, 2013 and Rules made thereunder and
- b) In the Corporate Governance Report, the particulars as prescribed in Listing Agreement.

13. DISSEMINATION

The Company's Remuneration Policy shall be published on its website.

14. AMENDMENT:

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy.

This policy was approved and adopted at the Board Meeting held on November 10, 2014 and further amended on January 22, 2024, February 11, 2025 and February 11, 2026.

This policy is available on the Company's website at: http://nrail.com/company_policies.html