



# Aster DM Healthcare Limited

## Policy on Nomination, Remuneration and Evaluation

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## 1. Objective

The Company believes in fostering strong leadership with adequate expertise, integrity and diligence. This policy aims to create a framework for appointment, removal, remuneration and evaluation of performance of Directors, KMPs and Senior Management.

## 2. Regulatory Framework

2.1 The Policy on Nomination, Remuneration & Evaluation (“Policy”) of Aster DM Healthcare Limited (“Company”) has been formulated according to the applicable provisions of Companies Act, 2013 (“Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (“Listing Regulations”)

2.2. Section 178 of the Companies Act, 2013 read with the applicable Rules thereto (“the Act”) (referred to as “Applicable Laws”) require the Nomination and Remuneration Committee of a company (“NRC”) to recommend to its Board a policy, relating to the appointment, removal and remuneration of the directors, key managerial personnel and other employees and to devise a policy on Board diversity.

The Applicable Laws also require NRC to lay down the evaluation criteria for performance evaluation of independent directors and to carry out the evaluation of every director’s performance. Further, the Board of Directors is responsible for monitoring and reviewing of the Board Evaluation framework.

The Board of Directors is also required to satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management.

2.3. Regulation 19 of the Listing Regulations provides for constitution of Nomination and Remuneration Committee and Part D of Schedule II of Listing Regulations refers to formulation of the Policy for remuneration of the directors, key managerial personnel and other employees

## 3. Definitions

3.1. “**Act**” means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

3.2. “**Applicable Laws**” means the Act and Rules framed thereto.

3.3. “**Board**” means the Board of Directors of the Company.

3.4. “**Company**” means Aster DM Healthcare Limited.

3.5. “**Company Secretary**” means Company Secretary of the Company appointed pursuant to the provisions of section 203 of the Act.

3.6. “**Directors**” mean Directors of the Company.

3.7. “**Key Managerial Personnel or KMP**” means

3.7.1. Chief Executive Officer or the Managing Director or the Manager;

3.7.2. Whole-time director;

3.7.3. Chief Financial Officer;

3.7.4. Company Secretary; and

3.7.5. such other officer as may be prescribed.

3.8. **“Independent Director”** means a director referred to in Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations.

3.9. **“MD & CEO”** shall mean the Managing Director and Chief Executive Officer of the Company defined as per the provisions of Companies Act, 2013

3.10. **“Nomination and Remuneration Committee or NRC”** means a Committee of the Board constituted pursuant to section 178 of the Act and Regulation 19(1) of Listing Regulations.

3.11. **“Policy or this Policy”** means the Policy on Nomination, Removal, Remuneration and Board Diversity.

3.12. **“Remuneration”** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income tax Act, 1961.

3.13. **“Senior management”** shall mean officers/personnel of the Company who are members of the core management team excluding Board of Directors but including all members of management one level below the Managing Director/CEO and Company Secretary and Chief Financial Officer and such other personnel identified by the NRC from time to time.

## **4. Policy**

### **4.1. Appointment, reappointment and removal of Director, KMP and Senior Management**

4.1.1. Criteria for qualifications, positive attributes and independence of Directors, KMP & Senior management:

4.1.1.1. The NRC will have the responsibility and authority to decide the essential and desirable skills/competencies/expertise/experience/criteria of independence required from the individuals for the office of Directors, KMP & Senior management.

4.1.1.1.1 The NRC shall, before the appointment of an independent director evaluate his/her 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.

4.1.1.1.2 The NRC shall ensure that the person recommended for such role shall meets the description as per the description as mentioned in the clause 4.1.1.1.1 above

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 and
- c. Consider the time commitments of the candidates
- d. Propose a candidate with the suitable qualifications from the Independent Directors Database.

4.1.1.2. The expertise required from the Directors, KMP and Senior management would be defined based on the Company’s strategy and needs.

4.1.1.3. The NRC shall review the criteria for the role and define the role specifications for the appointment.

4.1.1.4. In case of Directors and KMP, in addition to the above specifications the NRC shall ensure that the candidate possesses the requisite qualifications and attributes as per the Applicable Laws.

4.1.1.5. An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by listed entity at the earliest but not later than three months from the date of such vacancy.

**4.1.2. Identifying candidates who are qualified to become Directors, KMP & Senior management:**

4.1.2.1. The NRC shall assign the responsibility of identifying the candidate for the final interview by the NRC to the following:

- a) to Chairman of the Board and Chairperson of NRC, in case of selection of Directors; and
- b) To the MD & CEO and CHRO, in case of selection of KMP & Senior management.

4.1.2.2. The NRC shall identify member(s) of the Board who will interview the candidate recommended to the NRC as above.

4.1.2.3. Upon selection of the candidate, the NRC shall make a recommendation to the Board for appointment of Director/ KMP/Senior management. For discharging this duty, the NRC may seek inputs from the persons responsible for identifying the candidates stated in Clause 4.1.2.1. above.

4.1.2.4. The appointment of Directors and KMP shall be subject to the compliance of the Act and the Articles of Association of the Company.

4.1.2.5 In case of reappointment of a Director, such reappointment shall be recommended by the NRC to the Board. However, the appointment, reappointment and removal shall be subject to the approval of shareholders by way of a special resolution.

4.1.2.6 The independent director who resigns from the Company shall not be appointed as an executive / whole time director on the board of the listed entity, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director

**4.1.3. Term**

4.1.3.1. The term of appointment of Directors shall be governed by the provisions of the Act.

4.1.3.2. The term of the KMP (other than the MD & CEO) and Senior management shall be governed by the prevailing policies of the Company.

**4.1.4. Letter of Appointment to Independent Directors**

4.1.4.1. The appointment of Independent Directors shall be formalized through a letter of appointment to be issued by the Company in accordance with the Applicable Laws.

**4.1.5. Removal of Director, KMP or Senior management**

4.1.5.1. The Removal of Director, KMP or Senior management may be warranted due to reasons such as disqualification prescribed under the Applicable Laws and / or disciplinary reasons.

4.1.5.2. In regard to removal of any Director, KMP or Senior management, the NRC shall in consultation with the Chairman, for Directors, and with the MD & CEO for KMP and Senior management, review the performance and/or other factors meriting a removal and subject to the provisions of the Act and the Articles of Association of the Company recommend to the Board its course of action.

#### 4.1.6. Retirement of Director, KMP or Senior management

4.1.6.1. The retirement age of Directors shall be as per the Applicable Laws.

4.1.6.2. The retirement age of KMP and Senior management shall be as per the prevailing policy of the Company subject to the Applicable Laws.

4.1.6.3. Subject to the Applicable Laws, the Board shall have the discretion to retain the Director, KMP, Senior management in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

### **4.2. Familiarization Programme for Independent Directors**

4.2.1. The Company will impart Familiarisation Programmes for Independent Directors inducted on the Board of the Company.

#### 4.2.2. Familiarisation - immediately upon appointment of Director

4.2.2.1. The Familiarisation Programme of the Company will provide information relating to the Company, its subsidiaries both in India and abroad, healthcare industry, business model of the Company, business processes & policies, geographies in which Company operates, etc. The programme intends to improve awareness of the Independent Directors on their roles, rights, responsibilities towards the Company. Further, the Familiarisation Programme shall also provide information relating to the financial performance of the Company and budget and control process of the Company.

4.2.2.2. The Chairman or the MD & CEO or such other officer(s) of the Company, duly authorised by the Chairman shall lead the Familiarisation Programme. The KMPs or Senior management may participate in the programme for providing various inputs.

#### 4.2.3. Annual Familiarisation processes

4.2.3.1. Every year, the Independent Directors shall be provided with periodic inputs on the business performance of the Company, through deliberations at the Committee and Board Meetings.

4.2.3.2. The Board shall discuss and note the strategic business plans and the annual financial plan through deliberations at Board Meetings or Board Retreats.

### **4.3. Succession Plan for Directors, KMP and Senior management**

4.3.1. The NRC shall develop and recommend to the Board a succession plan for the appointments made to the Board and to KMP & Senior management.

4.3.2. The NRC shall review such plan on an annual basis and recommend revisions, if any, to the Board.

#### **4.4. Remuneration of Director, KMP and Senior management**

##### **4.4.1. Remuneration to Executive Director(s)**

4.4.1.1. The remuneration payable to Executive Director(s) shall be determined by the NRC and recommended to the Board for approval.

4.4.1.2. Such remuneration (including revisions thereof) shall be subject to the approval of the shareholders of the Company and/or Central Government, wherever required under the Act, and the Articles of Association of the Company.

4.4.1.3. The remuneration shall be in accordance with and subject to the ceiling limits and other conditions prescribed under the Act, and the Articles of Association of the Company.

4.4.1.4. The remuneration shall comprise a mix of Fixed Remuneration and Variable remuneration in the form of performance incentive. The performance incentive shall be based on the prevailing policy of the Company.

4.4.1.5. Additionally, the Executive Director may be entitled to Employee Stock Options granted under any Employee Stock Option Plan/Scheme(s), Stock Appreciation Rights granted under any Stock Appreciation Rights Plan/Scheme(s) of the Company and such other long term incentive schemes of the Company, subject to compliance with applicable laws.

4.4.1.6. Annual revisions in the remuneration within the remuneration limits approved by the Board, shareholders/Central Government, shall be based on the prevailing policy of the Company and the same shall be approved by the NRC. The Board shall note such annual increases.

##### **4.4.2. Remuneration to Non-Executive Directors**

4.4.2.1. The remuneration (including revisions thereof) payable to the NED shall be in accordance with and subject to the ceiling limits and other conditions prescribed under the Act and the Articles of Association of the Company.

4.4.2.2. The NRC shall determine the remuneration to NED including the mode, quantum, recipients of the remuneration and the frequency of payment of such remuneration and recommend the same to the Board for approval.

4.4.2.3. The remuneration of NED shall comprise following:

a) Remuneration/Commission; and

b) Sitting fees and along with re-imbursments of expenses incurred for attending each meeting of the Board and its Committees thereof.

4.4.2.4. The remuneration of NED (including revisions thereof) shall be based on certain financial parameters like the performance of the Company, its market capitalization, etc., industry benchmarks, role of the Director and such other relevant factors.

4.4.2.5. NEDs shall not be entitled to any stock option or stock appreciation rights of the Company.

4.4.2.6. The NRC shall determine the periodicity at which such remuneration shall be reviewed and revised.

#### **4.4.3. Remuneration to KMP & Senior management**

4.4.3.1. The NRC shall approve the remuneration policy (**Annexure I**) of the Company applicable to KMP and Senior management.

4.4.3.2. For appointments to the office of KMP or Senior management (as stated in clause 4.1 above), the NRC shall approve the remuneration and recommend the same to the Board for its approval.

4.4.3.3. The NRC shall approve the annual revision in the remuneration of KMP and Senior management based on the remuneration policy of the Company applicable to KMP and Senior management (as stated under clause 4.2.3.1 above).

4.4.4. Factors to be considered while determining the remuneration to Directors, KMP and Senior management While determining the remuneration to Directors, KMP and Senior

Management Personnel the NRC shall ensure the following:

a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and Senior management to deliver 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, 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 goals.

#### **4.5. Board Diversity**

4.5.1. The Company's Policy on Board diversity is annexed as **Annexure II** to this Policy.

#### **4.6. Board Evaluation**

4.6.1. The Board is committed to assessing its own performance as a Board in order to identify its strengths and areas in which it may improve its functioning. Towards this end, the NRC shall establish the criteria and processes for evaluation of performance of Individual Directors, Chairperson of the Board, the Board as a whole and the Committees of the Board and recommend the same to the Board.

4.6.2. The Board is responsible for monitoring and reviewing of the Board Evaluation framework.

4.6.3. The NRC is responsible for carrying out evaluation of every director's performance.

4.6.4. The performance evaluation shall take place annually either inhouse or by availing the services of an independent external agency. It shall be the responsibility of the Chairperson of the NRC to organise the evaluation process;

4.6.5. The appointment / re-appointment / continuation of Directors on the Board shall be subject to the outcome of the yearly evaluation process.

4.6.6. Meeting of Independent Directors:



4.6.6.1. The Independent Directors of the Company shall hold at least one meeting in a year, without the attendance of Non – independent Directors and members of the management.

4.6.6.2. Such meeting shall:

- a) review the performance of Non-independent Directors and the Board as a whole;
- b) review the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-executive Directors;
- c) assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

4.6.6.3. The Independent Directors may call such meeting(s) at any point of time as desired.

4.6.7 The outcome of the evaluation process shall be kept with utmost confidentiality.

## **5. Disclosure**

5.1. Appropriate disclosures as required under the Applicable Laws shall be made by the Company within the prescribed time and manner.

## **6. General**

6.1. The Policy would be subject to revision/amendment in accordance with the applicable laws.

6.2. Unless required earlier, the NRC shall review the Policy once in every two years for making suitable amendments for better implementation of the Policy.

6.3. The power to interpret and administer the Policy shall rest with the Chairperson of the NRC whose decision shall be final and binding. The Chairperson is also empowered to make any supplementary rules/orders to ensure effective implementation of the Policy. These will, however, be reported to or placed before the NRC, from time to time, to ensure the Committee's oversight on these issues.

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## **Annexure-I**

### **Policy on Remuneration of Key Managerial Personnel and Senior management**

#### **Objective**

The objective of this policy is to outline the principles and factors that will determine the remuneration of Key Managerial Personnel (“KMP”) and Senior management and the role of the Corporate Governance Committee (“NRC”) in this regard.

#### **Aster DM’s Remuneration Philosophy and Principles**

Aster DM believes that remuneration plays a vital role in terms of attracting and retaining talent that is critical for its business success. Remuneration of KMP and Senior management will be determined in a manner so that it is competitive, reasonable and sufficient based on Aster DM’s Remuneration Philosophy and Principles.

The remuneration structure will have a right mix of guaranteed (fixed) pay, pay for performance and long term variable pay based on business growth and other factors such as growth in shareholder value to ensure that it is competitive and reasonable.

Remuneration will be based on the following principles:

- a) the intrinsic worth and future potential of the member which ensures value of meritocracy,
- b) the extrinsic worth of the role and desired market competitiveness determined through market benchmarking studies and
- c) value add by the role which should be in line with Aster DM’s employee cost. Remuneration Fixation Process

The MD & CEO shall propose the remuneration for the KMP & Senior management to the NRC for its inputs and approval. The remuneration would be determined taking into account the merit of each role holder and industry benchmarks relevant to Aster DM, to attract and retain talent at the right level of remuneration competitiveness and considering the business’s ability to support the employee cost. This would be in line with the Company’s Policy of Remuneration for its employees.

The NRC would decide and approve the remuneration for KMP & Senior management to ensure that it is competitive, reasonable and sufficient to motivate and retain the member.

#### **Policy Approval**

The NRC will approve the policy and recommend it to the Board for its approval. Policy Review This policy will be reviewed by the NRC once in every two years or earlier if required.

## **Annexure-II**

### **Policy on Board Diversity**

(Clause 4.5 of Policy on Nomination, Remuneration & Board Diversity)

Aster DM believes in and embraces the benefit of having a diverse Board of Directors and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of the differences in the skills, regional and industry experience, background, gender and other distinctions between Directors.

These distinctions would be considered in determining the optimum composition of the Board and when possible, would be balanced appropriately.

At a minimum, the Board of the Company shall consist of at least one woman Director. All Board appointments are made on merit, in context of the knowledge, skills, experience, independence and integrity which are required to make the Board as a whole effective.

In reviewing the Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to discharge its duties and responsibilities effectively.

In identifying suitable candidates for appointment for the Board, the committee will consider candidates on merit against objective criteria and due regard for the benefits of diversity on the Board.

As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Committee will consider the balance of skills, experience, independence and knowledge of Aster DM on the Board and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

This policy will be reviewed by the NRC once in every two years or earlier if required.