

Criteria of making payments to Non-Executive Directors

Overall remuneration should be reflective of the size of the Company, complexity of the sector/industry/company's operations and the company's capacity to pay the remuneration.

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. Quantum of sitting fees may be subject to review on a periodic basis, as required.

Within the parameters prescribed by law, the payment of sitting fees and commission will be recommended by the NRC and approved by the Board.

According to Section 197 of the Companies Act 2013, except with the approval of the company in a general meeting by passing a special resolution, the company can pay remuneration to its non-executive directors as follows:

- a) 1% of the net profit of the company, if there is an existing managing or whole-time director or manager. Here "1% of the net profit" means for all non-executive directors of the company (whether independent or not).
- b) 3% of the net profit in any other case i.e. where there is no managing or whole-time director or manager. Here "3% of the net profit" means for all non-executive directors of the company (whether independent or not).

Section 197(3) of the Act was amended by the Companies (Amendment) Act, 2020, wherein a company having no profits or inadequate profits, can pay to all its directors (executive and non-executive directors) by way of remuneration any sum in accordance with the provisions of Schedule V to the Act.

Even in the case of inadequate profits or losses, the sitting fees paid by the company is not a part of the remuneration to directors.

The Ministry of Corporate Affairs (MCA) has amended Schedule V of the Companies Act, 2013, in Part II, under the heading—"Remuneration" and allowed companies to pay remuneration to non-executive directors or independent directors. The limit of yearly remuneration payable to such directors shall not exceed prescribed amount. The maximum amount of remuneration depends upon the effective capital of the company. Where in any financial year during the currency of tenure of non-executive directors or independent directors, a company has no profits or its profits are inadequate, it may, pay remuneration to such director not exceeding, the limits given in Schedule V of the Act

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 (organised by the Company for Directors) and in obtaining professional advice from independent advisors in the furtherance of his/her duties as a director.