

Chalet Hotels Limited

CIN: L55101MH1986PLC038538

Raheja Tower, Plot No. C-30, Block 'G', Next to Bank of Baroda, Bandra Kurla Complex, Bandra (E), Mumbai
400051 Website: www.chalet-hotels.com Tel:- 91-22-26564000

POLICY FOR APPOINTMENT OF DIRECTORS & REMUNERATION OF DIRECTOR AND SENIOR MANAGEMENT

The Company has drafted and adopted this Policy in compliance with the provisions of Section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

This appointment and remuneration policy (the 'Policy') applies to :

- (i) selection and appointment of the directors, and
- (ii) remuneration of the directors, key management personnel (KMP) and senior management, as prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be amended from time to time, of the Company (KMP and senior management shall have the meaning ascribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be amended from time to time).

This Policy has been reviewed by the Compensation, Nomination and Remuneration Committee (CNR Committee) at its meeting held on April 24, 2019 and has been approved by the Board of Directors (Board) at its meeting held on May 10, 2019.

The Compensation, Nomination and Remuneration Committee of the Company has been duly constituted in accordance with the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations) consisting of three non-executive directors, with majority of them being independent.

I. Preamble

The human capital of the Company plays the most important role in the functioning and performance of the Company. One of the objectives of the Company is to attract the right talent and develop the skillset among them to suit the Company's requirements and further its development. The Company also strives to strike a balance in terms of compensation paid to every individual commensurate to the individual's skill and talent, while driving the Company's goals in order to maximise stakeholders' value.

This Policy lays down a framework and provides guidance for the selection, appointment and re-appointment of directors and senior management and aims at ensuring that the management of the Company consists of persons with a diverse range of skills and qualities to for the growth of the Company while ensuring that the interests of the Company and its stakeholders are promoted and protected.

II. Principles for selection and appointment of Directors & Senior Management Personnel

The Board shall identify persons and recommend appointment, reappointment and removal of persons as directors and to senior management positions in accordance with the criteria laid down. This responsibility is entrusted to the CNR Committee on behalf of the Board.

The Board believes that the Board and the senior management should comprise of persons combining expertise, know-how and personal attributes that allow the Company to:

- understand the operations and requirements of the Company's business and the environment in which it operates;
- discharge duties and responsibilities in accordance with the prescribed legal framework;

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The role of the CNR Committee shall, inter-alia, include the following:

- formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key management personnel and other employees;
- the CNR Committee, while formulating the above policy, should ensure that:
 - the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - remuneration to directors, key management personnel and senior management involves a balance between fixed and performance linked incentive pay bonuses reflecting short and long term performance objectives appropriate to the working of the Company and its goals.
- formulation of criteria for evaluation of performance of independent directors and the Board;
- devising a policy on diversity of Board of Directors;
- identifying persons who are qualified to become directors in accordance with the criteria laid down, and recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance (including independent director);
- recommend to the Board, all remuneration, in whatever form, payable to the directors;
- whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of directors;
- frame suitable policies, procedures and systems to ensure that there is no violation of securities laws, as amended from time to time, including:
 - the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
 - the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, by the trust, the Company and its employees, as applicable.
- perform such other activities as may be delegated by the Board or specified/ provided under the Companies Act, 2013 to the extent notified and effective, as amended or by the SEBI Listing Regulations, as amended or by any other applicable law or regulatory authority.

The CNR Committee shall consider the selection and appointment of the Directors and make a recommendation to the Board, where necessary. The CNR Committee may engage in informal discussions with the members of the Board for the purpose. Alternatively, a member of the Board may recommend to the CNR Committee a candidate for a position on the Board.

The CNR Committee is required to assess whether there is a suitable position for the candidate nominated and shall also evaluate whether the nominated candidate meets the criteria and is suitable for the position.

In the process of appointment of a Director on the Board (whether by increasing the strength of the Board or on account of retirement of an existing director or otherwise) by the CNR Committee, or in the appointment of a person to the senior management by the Executive Directors, due consideration should be given by the CNR Committee / Executive Directors (as the case may be) to the following:

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- Evaluate the proficiency of the management to identify gaps that could be bridged to build and strengthen the Board/Management.
- Identify the areas in which there may be a lack of skills, in order to increase effectiveness;
- Need of the current and future business plans of the Company
- Extent of contribution by the incumbent to the Company and the Management Team, to improve the overall performance of the Company
- Extent of contribution to overall effectiveness of the Board and senior management;
- Compatibility with the existing management team and the Company's business;
- Expertise that the candidate shall bring to the role that will contribute to the Company's goals
- The contribution to the Company so as to enhance and maximise the stakeholders' value;
- Independence of such candidate under the provisions of the Companies Act, 2013 and SEBI Listing Regulations, if and as may be applicable.

Accordingly, in selecting and recommending potential new director and analysing renewal of the term of existing directors, the CNR Committee should identify the competencies required to enable the Board to fulfil their respective responsibilities within the framework of the overall objectives and goals of the Company and wherever applicable, should also have regard to the results of the annual appraisals of the relevant person's past performance, on the Board of the Company.

In selecting and recommending potential new member of senior management, the Executive Directors should identify the competencies required to enable the senior management to fulfil their respective responsibilities within the framework of the overall objectives and goals of the Company and wherever applicable, should also have regard to the results of the annual appraisals of the relevant person's past performance elsewhere, if accessible.

While any individual person may not necessarily fulfil all criteria, in evaluating and recommending the candidature of a candidate, regard shall be had to the following criteria, skills and personal attributes:

- experience in the hospitality and real estate sector
- Outstanding in capability
- Honesty & Integrity
- Requisite professional qualification
- Strategic capability with business vision and fine track record;
- Entrepreneurial spirit;
- Expertise/ experience *inter-alia* in the respective field (technology, regulatory, accounting, taxation and finance, corporate and strategic planning, human management, marketing etc.)
- Independent and lateral thinking;
- Excellent interpersonal, communication and representational skills and established/ demonstrable leadership qualities;
- Commitment to the promotion of equal opportunities, community cohesion and health and safety at work place;
- Availability of time to discharge the duties as a director of the Company including the other commitments of the candidate that require significant time commitments of the candidate.

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If the candidate is found suitable, the CNR Committee shall recommend the candidate to the Board for appointment as director. Unless so required by the CNR Committee, the Executive Directors may subject to the above principles decide on the recruitment of a suitable candidate.

A Director who retires at an annual general meeting may, if willing to act, be re-appointed and is subject to the selection and appointment procedures outlined above. The re-election shall also be dependent upon the evaluation of such directors' performance by the Board.

The CNR Committee/Executive Director may engage recruitment consultants as and when required to undertake search for new candidates for new positions on the Board or senior management and/or may consult other independent experts where it considers necessary to carry out its duties and responsibilities.

III. Evaluation of Directors and senior management

The performance of each Director (Independent and Non-Independent) and member of senior management shall be reviewed on an annual basis by the CNR Committee alongwith the Head of Human Resources or any other invitee as may be deemed necessary, who may use such external support as may be required to undertake such reviews.

The performance of each Director (whether Independent or Non-Independent) and member of senior management shall be evaluated annually against the Goal set as may be decided by the Board from time to time. The CNR Committee shall discuss the findings of the evaluation and give its recommendation to the Board in this regard. However, the actual evaluation shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board.

The CNR Committee shall be responsible to review implementation and compliance with the manner of effective evaluation, whether done internally or through any expert hired for the purpose.

IV. Policy for remuneration of the directors and members of senior management

The objective of the Company's remuneration policy is to attract, motivate and retain qualified expert individuals that the Company needs in order to achieve its strategic and operational objectives, whilst acknowledging the context around remuneration and recognising the interests of the Company's stakeholders.

In determining the remuneration policy, it shall be ensured that a competitive remuneration package for talent is maintained and the Company should aim for a total remuneration level that is comparable to the company's peers in terms of size, scale, operations and complexity. The level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate and drive the direction that is required to run the Company in achieving its goals;

The relationship of remuneration to performance is clear and shall meet appropriate performance benchmarks; and remuneration to directors, key managerial personnel and senior management may include performance bonus, reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

In designing and setting the levels of remuneration for the members of the Board and for senior management of the Company, the CNR Committee/Board/Executive Director shall also take into account the relevant statutory provisions and provisions relating to corporate governance, societal and market trends and the interests of stakeholders.

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However, in extraordinary circumstances the remuneration payable may exceed the level prescribed under the relevant statutory provisions by taking appropriate consents as prescribed.

The Independent Directors shall be entitled to abide by the duties as outlined in Schedule IV of the Companies Act, more specifically described in Annexure A.

The remuneration/ compensation/ commission for the Directors (including annual increments, if any) will be determined by the CNR Committee and intimated to the Board.

The remuneration package of the Directors / senior management employees may comprise the following components:

- Fixed remuneration;
- Leave travel allowance according to the policy of the Company;
- House rent & other allowances according to the policy of the Company;
- Employee Stock options as may be granted by the Board from time to time;
- Other benefits as may be approved by the Board on the recommendation of the CNR Committee.
- Deviations on elements of this remuneration policy in extraordinary circumstances may, however, be considered, when deemed necessary in the interests of the Company, in order to attract or retain extraordinary talent.

V. Disclosure of Remuneration of Non-Executive Directors

All pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company shall be disclosed in the Annual Report. In addition to the disclosures required under the Companies Act, 2013, the following disclosures shall be made in the section on the Corporate Governance of the Annual Report of the Company:

- All fees paid to non-executive Directors including the criteria for making payments. Alternatively, this may be put up on the Company's website and reference drawn thereto in the annual report.
- The Company shall disclose the number of shares and convertible instruments held by non-executive directors in the Annual Report.
Non-executive directors shall be required to disclose their shareholding (both own or held by/for other persons on a beneficial basis) in the listed Company in which they are proposed to be appointed as directors, prior to their appointment. These details should be disclosed in the notice to the general meeting called for appointment of such director.

In addition to the disclosures required under the Companies Act, 2013, the following disclosures on the remuneration of executive directors shall be made in the section on the Corporate Governance of the Annual Report of the Company:

- All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc.
- Details of fixed component and performance linked bonuses, along with the performance criteria.
- Service contracts, notice period, severance fees.
- Stock option details, if any – and whether issued at a discount as well as the period over which accrued and over which exercisable.

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VI. Board Diversity

A diverse Board will include an ideal combination of Executive and Non-Executive Directors, including Independent Directors, with diverse backgrounds and make good use of the differences in the skills, knowledge, industry experience, background, race, gender, orientation and other qualities of the individual members as a whole.

To meet the above Objectives:

- i. The Board of the Company will ensure that a transparent Board nomination process is in place with zero tolerance for unlawful discrimination and harassment of any sort whatsoever that encourages diversity of thought, experience, skills, knowledge, perspective, age, nationality, gender, orientation, cultural and educational background;
- ii. The Board will have an optimum number of executive and non-executive directors with at least one woman director and not less than fifty percent of the Board of Directors shall comprise of non-executive directors;
- iii. where the chairperson of the board of directors is a non-executive director at least one-third of the Board should consist of the Independent Directors as per the provisions of the Companies Act, 2013 ('the Act') and the Listing Regulations;
- iv. It will be ensured that the Board has an appropriate blend of functional and industry expertise and skills.

VII. Notification

The details of this policy shall be included in the report of the Board of Directors prepared under Section 134 (3) of the Companies Act, 2013

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Annexure A- Duties of Independent Directors

The independent Directors shall—

- 1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- 2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- 3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- 4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- 5) strive to attend the general meetings of the company;
- 6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- 7) keep themselves well informed about the company and the external environment in which it operates;
- 8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- 9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- 10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- 11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- 12) acting within his authority assist in protecting the legitimate interests of the company, shareholders and its employees;
- 13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.