

***THE PHILODRILL CORPORATION***

***Policy On Succession Planning For The Board And Senior Management***

**I. OBJECTIVES OF THE SUCCESSION PLANNING PROGRAM**

The objectives of the succession planning program shall include the following:

- a) To identify and nominate suitable candidates for the Board's approval to fill the vacancies which arises in the Board from time to time.
- b) To identify the competency requirements of critical and key positions, assess potential candidates and develop required competency through planned development and learning initiatives.
- c) To identify the key job incumbents in Senior Managerial positions and recommend whether the concerned individual (i) be granted an extension in term/service or (b) be replaced with an identified internal or external candidate or recruit other suitable candidate/s.
- d) To ensure the systematic and long-term development of individuals in the senior management level to replace when the need arises due to deaths, disabilities, retirements, and other unexpected occurrence.

**II. APPLICABILITY OF THE POLICY**

The Policy shall be applicable for succession planning of the following personnel:

1. Board of Directors and CEO;
2. Senior Management Position:
  - i) Chief Financial Officer;
  - ii) Vice Presidents and AVPs;
  - iii) Corporate Secretary;
  - iv) Compliance Officer
3. Any other positions within the Company at the discretion of the CEO in consultation with the Board.

**III. SUCCESSION PLAN FOR THE BOARD AND SENIOR MANAGEMENT**

The CG & Nominations Committee shall review the leadership needs of the Company from time to time.

#### **IV. SUCCESSION PLAN FOR THE BOARD**

The Corporate Governance & Nominations Committee (CG&NC) shall apply a due diligence process to determine the suitability of every person who is being considered for election or re-election as a Director of the Company based on his educational qualification, experience & track record, and every such person shall meet the 'fit and proper' criteria, and accordingly any potential nominee for Director shall be subject to prior approval by the CG&NC. The Company has framed a Nomination Policy to guide the Board in relation to appointment/re-appointment/removal of Directors, to devise criteria for performance evaluation of Independent Directors and the Board and to ensure adequate diversity in the Board to make good use of the varied skills, regional and industry experience, background, gender and other qualities of the Directors. Accordingly, the nomination/election/ appointment/re-appointment/removal and tenure of the Directors including the Independent Directors of the Company shall be governed by the provisions of the nomination policy of the Company approved by the Board.

#### **V. SUCCESSION PLAN FOR THE SENIOR MANAGEMENT**

The CG&NC shall periodically review and consider the list of senior management personnel due for retirement within the year. The Committee shall also consider the new vacancies that may arise because of business needs, up-gradation of Department(s). Considering the above, the Committee shall assess the availability of suitable candidates for the Company's future growth and development. Further, based on the recommendation of the Head – Personnel and Admin Department, the Nomination Committee:

- 1) shall evaluate the incumbent after considering all relevant criteria like experience, age, health, leadership quality etc. and recommend to the Board whether the concerned individual (i) be granted an extension in term/service or (ii) be replaced with an identified internal or external candidates.
- 2) shall identify the competency requirements of Board/key positions, assess potential candidates and develop required competency through planned development and learning initiatives. The Committee may utilize the services of professional search firms to assist in identifying and evaluating potential candidates.
- 3) may recommend to the Board to appoint other suitable external candidate(s) as special recruitment in senior managerial level based on job roles and competency in order to provide a continuous flow of talented people to meet the organizational needs.

The regular internal promotion shall be governed by the provisions of the Procedures Manual (2008) of the Company. The prevailing promotion/transfer policy of Company is designed in such a way that the existing/proposed senior managerial personnel gets all-round exposure in various domains to facilitate career progression, prepare them for administrative responsibilities and to discharge their functions effectively in senior positions. Where it is decided to appoint an external candidate, timely and planned steps shall be taken for selection of a suitable candidate

so that the appointment is made well before the retirement/relieving of the concerned officer to ensure the smooth transition.

The recommendation of the Nomination Committee shall be placed to the Board for approval. While making its recommendation, the Nomination Committee shall consult with the Chairman & CEO, as may be relevant and all factors including the available talent within the organization and the need to ensure continuous working and growth of the Company shall be carefully considered.

The Head of the Personnel and Admin Department shall from time to time identify high-potential employees who merit faster career progression to position of higher responsibility and formulate, administer, monitor & review the process of skill development and identify the training requirements. Every member of the Senior Management Team shall always endeavor to add capability in-house and mentor officials with potential, working under him to handle responsibilities in his absence by exposing him to all aspects of work being handled by him. In the event of any unexpected occurrence in respect of any member in the core management team, the next person as per the organization chart (as far as practicable) shall take interim charge of the position, pending a regular appointment in terms of the succession plan.

In addition to the above, the appointment of Key Managerial Positions shall be made in compliance with all applicable provisions of the Code of Corporate Governance for PLCs and the policies adopted pursuant thereto.

## **VI. COMPENSATION OF EXECUTIVE AND NON- EXECUTIVE DIRECTORS**

Upon the recommendation of the Compensation & Remuneration Committee, the Board may fix the remuneration of Non-Executive Directors (including Independent Directors). The Non-Executive Directors shall be entitled to reasonable per diems for attending Board/Committee meetings at such rate as may be approved by the Board from time to time. In addition to the per diem, the Company will reimburse the normal travelling expenses of Directors incurred for the purpose of attending any other duties on behalf of the Company.

Subject to compliance with the provisions of the Company's By-laws, the Securities Regulation Code and the Code of Corporate Governance for PLCs, the Board may, upon recommendation of the Compensation Committee and endorsement from CG & Nomination Committee, after taking into account the profitability of the Company for each financial year, approve the payment of an annual compensation payable to each non-executive Director and Independent Directors of the Company for each financial year or part thereof. Where a Director has left the Company before the completion of a financial year or before approval of the payment of compensation by the Board, the Board may in its absolute discretion sanction such amount as commission to such Director for his services during the period for which the compensation was fixed. Remuneration of Executive Directors shall be fixed by the Board on the basis of recommendation of the Compensation Committee and in accordance with the policies set by the Company's By-laws, and the CG & Nomination Committee. The remuneration of the Executive Directors shall be a combination of fixed monthly salary in terms of their appointment as approved by the Board and

a performance based annual compensation to be decided by the Board on the recommendation of the Compensation and the CG & Nominations Committee. The performance parameters to be applied to the Executive Directors, the minimum and maximum amount of compensation payable in line with the achievement of various targets/parameters will be decided upon by the Compensation Committee from time to time.

## **VII. COMPENSATION PLAN FOR KEY MANAGEMENT PERSONNEL (KMPS) AND OTHER SENIOR MANAGEMENT TEAM MEMBERS**

The compensation structure of KMPs and senior management team members shall consist of fixed salary components (including variable allowances), according to the policy approved by the Company and at par with the industry standards, to be approved by the Compensation Committee. The compensation structure shall be devised in a manner that will help the Company to attract and retain top talents to run the Company efficiently with a long term perspective. The compensation structure may also include stock options/SARs targeting employee participation in ownership of the Company and to ensure the retention of potential talents for the future growth and diversity of the Company.

## **VIII. REVIEW OF THE POLICY**

In case of any amendment/s, clarification/s, circular/s etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment/s, clarification/s, circular/s, etc. shall prevail upon the provisions in this policy and this policy shall stand amended accordingly. The Board has the power to replace this policy entirely with a new policy on recommendation by the Compensation Committee and in accordance with the policies set by the CG & Nomination Committee.