

## **Directors' Remuneration Synopsis**

### **Introduction**

The purpose of the policy is to set out the overall framework and procedure for determining the remuneration of Non-Executive Directors including Independent Directors of The Hub Power Company Limited ("Hubco" or the "Company"), in line with applicable regulatory requirements.

The Company aims to attract and retain high caliber and experienced individuals - qualified, capable and willing to contribute their best towards accomplishment of the Company's objectives in the role of Non-Executives.

### **Applicability**

This policy is applicable to all Non-Executive Directors including Independent Directors of the Company and shall supersede any previous practice of the Company related to the remuneration of such directors.

If any clause of this policy is in conflict with any regulatory requirement and/or the Articles of Association (AOA) of the Company, the regulatory requirement and/or AOA would prevail.

### **Policy**

The board shall ensure that a fair, transparent and competitive remuneration mechanism is put in place that supports the performance culture of the Company and enables the achievement of strategic business goals aligned with the long-term interests of the company.

The Company wishes to remunerate Non-executive Directors including Independent Directors at an appropriate level for their commitment to the company and to oversee Hubco's business and development.

The process adopted for determination of director's remuneration shall comply with the provisions of applicable regulatory requirements, the Articles of Association of the Company and governance best practices.

### **Guiding Principles**

- a) The Board Nomination & Compensation Committee (BNCC) shall be responsible to recommend to the board for consideration and approval of a formal and transparent policy framework for determining remuneration of Non-Executive Directors including Independent Directors, taking into consideration that such remuneration is commensurate with the evaluation of the board.
- b) Non-Executive directors shall be paid a reasonable and appropriate remuneration for attending:
  - Board meetings
  - Committee meetings (where applicable)
- c) Every Director shall be entitled to reimbursement of all travelling and hotel expenses incurred by him/her in or about the business of the Company including the costs of travelling to and from the above mentioned meetings.

Further, Directors may be provided with certain facilities incidental to the performance of their roles as Board members depending on the need and as approved by the Board. However, remuneration to be paid to any director for attending the meetings of the board or a committee

of directors, etc., shall not exceed the scale approved by the board, in accordance with the provisions of the regulatory requirements.

- d) The remuneration of a Director for performing additional services including the holding of the office of Chairman of the board and / or its Committees shall be determined by the board of directors.
- e) The administrative expenses pertaining to the office, staff and security allocated to the Chairman of the Board shall be determined rationally.
- f) While determining remuneration levels for Non-Executive directors, the following shall be ensured:
  - i. No director shall determine his own remuneration nor of a Director who may be a related party;
  - ii. Levels of remuneration shall be appropriate and commensurate with the level of responsibility and expertise, to attract and retain directors needed to govern the company successfully;
  - iii. Due consideration shall be given to performance evaluation (as applicable) and to encourage value addition. In this regard, the board shall be responsible to develop transparent, measurable, quantitative and qualitative performance measures for the Board;
  - iv. It shall not be at a level that could be perceived to compromise the independence of Directors;
  - v. An independent consultant may be engaged to recommend an appropriate level of remuneration for consideration and approval of the board.

Remuneration of members of the Board of Directors and members of committees may be varied in size to reflect the extent of the member's experience, competence, tasks, independence, number of meetings attended and other considerations.

Apart from meeting fees and costs incidental thereto, Non-Executive Directors including Independent Directors may be entitled to the following:

- i. Liability related insurance and indemnification benefits as per applicable law.
- ii. Coverage of certification costs under any Directors' Training Program (that meets the criteria specified by the Securities and Exchange Commission of Pakistan) by the Company (if not already a Certified Director or exempt from training requirement).
- iii. Coverage of costs of any further orientation or training that the board deems
- iv. necessary to acquaint the directors with applicable laws, their duties and
- v. responsibilities and the overall economic environment, to enable them to effectively manage the affairs of the Company for and on behalf of shareholders.

The following restrictions are applicable on the remuneration of Non-Executives:

- No fee is paid if any of the directors does not attend a meeting.
- Similarly, fee is not paid for consideration of the proposals considered through circulation.
- No remuneration shall be paid to Non-Executive Directors for attending meetings if they are employees in other Hubco entities.

## **Administration, Revision & Approval**

The responsibility of ensuring the development of a policy on remuneration rests with the Board of Directors. In this regard, the board shall ensure the maintenance of a complete record of particulars of the remuneration policy for Non-Executive Directors including Independent Directors, along with their date of approval or updating.

The Board Compensation Committee (BNCC) shall supervise the administration of this policy and review its provisions periodically, but not less than once in three years.

The BNCC shall review fee levels taking into consideration market best practices and the time commitment of the role and recommend remuneration adjustments, if appropriate, on a periodic basis.

The Chairman of the Board shall include the Non-Executives' remuneration and entitlement in the letter issued to the director at the beginning of their term, along with setting out their role, obligations, powers and responsibilities.

This policy shall be revised only upon the recommendation of the BNCC which shall submit recommendations on any amendments thereto to the Board of Directors for their review and approval. Amendments made to this policy shall take effect as per approval of the Board.

In case of any regulatory change, the Board will amend the policy to ensure compliance with the law.

## **Determination of Fees**

For a fair and transparent remuneration, it is necessary to achieve a balance that ensures adequate participation by board members at the same time does not encourage a pattern of behavior that could impede the long term sustainable success of a company.

- Attracts, retains and rewards competent persons with the right skills competence and abilities;
- Is of a level that encourages their participation in the affairs of the company to ensure that the pillars of corporate governance like transparency, accountability and fairness remains on firm footing;
- Is not so excessive that it may compromise their independence Within the above parameters the board should structure remuneration for Non-Executive directors including Independent Directors that meets the objectives of an effective and transparent remuneration policy.