

### **NOMINATION AND REMUNERATION POLICY**

In line with the Master Direction dated April 24, 2024 ARCs shall constitute a Nomination and Remuneration Committee in accordance with the provisions of the Companies Act, 2013 ('the Act') read with the Rules framed there under. The said Committee shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013. In addition, the Committee shall ensure 'fit and proper' status of proposed / existing directors and sponsors. Accordingly, the Company has framed a policy for laying down the criteria for appointment of Directors, Key Managerial Personnel and senior management as well determining the remuneration payable to them. The Policy shall be in compliance of Companies Act 2013, RBI guidelines / directions read along into the applicable rules there, as amended from time to time.

The term "**Key Managerial Personnel (KMP) means** – the key managerial personnel as defined under the Companies Act, 2013.

The term "**Senior Management**" means -

All personnel of the Company who are members of its core management team excluding members of the Board of Directors, comprising all members of management one level below the Executive Directors, including the functional heads.

#### **1. Purpose**

The primary objective of the Policy is to provide a framework and set standards for the nomination, and remuneration of Directors, Key Managerial Personnel and other employee comprising the senior management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

#### **2. Accountabilities**

2.1 The Board is ultimately responsible for the appointment of Directors and Key Managerial Personnel.

2.2 The Board had delegated responsibility for assessing and selecting the candidates for the enrolment of Directors, Key Managerial Personnel and the Senior Management of the Company to the Nomination and Remuneration Committee which makes recommendations & nominations to the Board.

### **3. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is responsible for:

- 3.1 Identifying individuals suitably qualified to be appointed as the Director and KMPs or as the Senior Management of the Company;
- 3.2 Recommending to the Board on the selection of individuals nominated for directorship;
- 3.3 Making recommendations to the Board on the remuneration payable to the Directors/ KMPs/Senior Officials so appointed/reappointed;
- 3.4 Assessing the independence of Independent Directors;
- 3.5 Such other key issues/matters as may be referred by the Board or as may be necessary in view of the provisions of the Companies Act 2013 and Rules there under.
- 3.6 To make recommendations to the Board concerning any matters relating to the continuation in office of any Director, KMPs and Senior Management at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- 3.7 Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

The Nomination and Remuneration Committee comprises of the following:

- a) The Committee shall consist of a minimum 3 or more non-executive directors, majority of them being independent.
- b) Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee and Nomination and Remuneration policy shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

#### **Chairman**

- a) Chairman of the Committee shall be an Independent Director.
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- d) Chairman of the Nomination and Remuneration Committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

#### **Committee Members' Interests**

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

## **Voting**

- a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

## **4. Appointment of Directors/KMPs/Senior Officials**

4.1 Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMP/a level below KMP are the basis for the Nomination and Remuneration Committee to select a candidate for appointment to the Board. When recommending a candidate for appointment, the Nomination and Remuneration Committee has regard to:

- Assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;
- The extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
- The skills and experience that the appointee brings to the role of KMP/Senior Official and how an appointee will enhance the skill sets and experience of the Board as a whole;
- The nature of existing positions held by the appointee including directorships or other relationships and
- The impact they may have on the appointee's ability to exercise independent judgment;

4.2 Personal specifications:

- Degree holder in relevant disciplines;
- Experience of management in a diverse organization;
- Excellent interpersonal, communication and representational skills;
- Demonstrable leadership skills;
- Commitment to high standards of ethics, personal integrity and probity;
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace;
- Having continuous professional development to refresh knowledge and skills. For details of the personal specifications refer to the **Annexure - A.**

## **5. Letters of Appointment**

Each Director/KMP/Senior Officials is required to sign the letter of appointment with the

Company containing the terms of appointment and the role assigned in the Company.

## **6. Remuneration of Directors, Key Managerial Personnel and Senior Management**

The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, Key Management Personnel and other senior officials. The Directors, Key Management Personnel and other senior official's salary shall be based & determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed statutorily, if any.

The Nomination and Remuneration Committee determines individual remuneration packages for Directors, KMPs and Senior Officials of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines. The Committee consults with the Chairman of the Board as it deems appropriate. Remuneration of the Chairman is recommended by the Committee to the Board of the Company.

### **i) Remuneration:**

#### a) Base Compensation (fixed salaries)

Must be competitive and reflective of the individual's role, responsibility and experience in relation to performance of day-to-day activities, usually reviewed on an annual basis; (includes salary, allowances and other statutory/non-statutory benefits which are normal part of remuneration package in line with market practices).

#### b) Variable salary:

The Nomination and Remuneration Committee may in its discretion structure any portion of remuneration to link rewards to corporate and individual performance, fulfilment of specified improvement targets or the attainment of certain financial or other objectives set by the Board. The amount payable is determined by the Committee, based on performance against pre-determined financial and non-financial metrics.

6.1 The Independent Directors shall not be entitled to any stock option and may receive remuneration by way of fee for attending meetings of the Board or Committee thereof or for any other purpose as may be decided by the Board and profit related commission as may be approved by the members. The sitting fee to the Independent Directors shall not be less than the sitting fee payable to other directors.

6.2 The remuneration payable to the Directors shall be as per the Company's policy and shall be valued as per the Income Tax Rules.

6.3 The remuneration payable to the Key Managerial Personnel and the Senior Management shall be as may be decided by the Board having regard to their experience, leadership abilities, initiative taking abilities and knowledge base.

## **7. Evaluation / Assessment of Directors / KMPs / Senior Officials of the Company –**

The evaluation/assessment of the Directors, KMPs and the senior officials of the Company is to be conducted on an annual basis.

The following criteria may assist in determining how effective the performances of the Directors/KMPs/Senior officials have been:

- ❖ Leadership & Stewardship abilities.
- ❖ Contributing to clearly define corporate objectives & plans.
- ❖ Communication of expectations & concerns clearly with subordinates.
- ❖ Obtain adequate, relevant & timely information from external sources.
- ❖ Review & approval achievement of strategic and operational plans, objectives, budgets.
- ❖ Regular monitoring of corporate results against projections.
- ❖ Identify, monitor & mitigate significant corporate risks.
- ❖ Assess policies, structures & procedures.
- ❖ Direct, monitor & evaluate KMPs, senior officials.
- ❖ Review management's succession plan.
- ❖ Effective meetings.
- ❖ Assuring appropriate board size, composition, independence, structure.
- ❖ Clearly defining roles & monitoring activities of committees.
- ❖ Review of corporation's ethical conduct.

Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Non-Independent Directors in a separate meeting of the Independent Directors. The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. The Independent Director being evaluated will not participate in the said evaluation discussion.

## **Annexure - A**

### **Personal Specification for Directors**

1. Qualification:

- Degree holder in relevant disciplines (e.g. management, accountancy, legal, Banking (CIIB) etc);
- Recognised Specialist

2. Experience:

- Experience of management in a diverse organisation
- Experience in accounting and finance, administration, corporate and strategic planning or fund management
- Experience in Economics, Banking Industry, Law, Industrial Finance, Industrial Management, Industrial reconstruction
- Demonstrable ability to work effectively with a Board of Directors

3. Skills:

- Good Leadership skills
- Monitoring if Team and employees
- Excellent interpersonal, communication and representational skills
- Demonstrable leadership skills
- Extensive team building and management skills
- Strong influencing and negotiating skills
- Having continuous professional development to refresh knowledge and skills

4. Abilities and Attributes

- Commitment to high standards of ethics, personal integrity and probity
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace.