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Nomination and Remuneration Policy

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DOCUMENT SUMMARY

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1. Introduction

NABSAMRUDDHI Finance Limited (NSFL) considers human resources as its invaluable assets. The Company recognises its role as a corporate citizen and endeavours to adopt the best practices and highest standards of Corporate Governance through transparency in business ethics, accountability to its clients and other stakeholders. This Policy seeks to document the practices and procedures to be followed by the Company for appointment of Directors and their remuneration.

The objective of the Policy is to regulate the appointment and remuneration of the Directors (including Independent Directors), Key Managerial Personnel (KMP), Senior Management and other employees as per criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of the Companies Act, 2013.

2. Objectives


- Ensure compliance with applicable laws, rules and regulations as well as ‘Fit and Proper criteria’ of Directors before their appointment;
- Ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
- Ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks, wherever applicable;
- Retention of high performers at all levels and those playing critical roles;
- Formulate criteria for evaluation of performance of all the Directors on the Board.

3. Scope and Applicability

The Board has constituted the “Nomination and Remuneration Committee” in line with the requirements under the provisions of the Companies Act, 2013. All new appointments to be made in the Board of Directors and KMP will be covered under this Policy. Further, it also covers the remuneration of all existing and new Directors as well as KMP.

This Policy shall be applicable to the following:

- Directors
- Key Managerial Personnel

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- Senior Management
- Other Employees as may be prescribed

4. Definition

- i. “Director” means a Director appointed by the Company to its Board;
- ii. “Key Managerial Personnel” means
 - a. The Chief Executive Officer or the Managing Director or the Manager;
 - b. The Company Secretary;
 - c. A Whole Time Director;
 - d. The Chief Financial Officer;
 - e. such other office as may be prescribed under the Companies Act, 2013.
- iii. “Senior Management” means personnel of the Company who are members of its core management team excluding the Board of Directors, and comprising of all members of management one level below the executive directors, if any.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined under the Companies Act, 2013 shall have a meaning respectively assigned to them therein.

5. Nomination and Remuneration Committee


A. Constitution:

Pursuant to the provisions of Section 178(1) of the Companies Act, 2013, NABSAMRUDDHI Finance Limited has constituted a Nomination and Remuneration Committee consisting of the following Members:

1. One Independent Director as Chairman
2. One Independent Director as Member
3. One Nominee Director as Member
4. Managing Director as Member

B. Roles and Responsibilities :

The Committee shall deal, peruse and recommend to the Board of Directors the following :

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i. Appointment of Directors:

Formulate the criteria determining the qualifications, positive attributes and independence of a Director and recommend candidates to the Board for appointment of a new Director, having regard to qualifications, integrity, expertise and experience for the position.


ii. Succession Planning:

Establishing and reviewing succession planning in the Board, KMP and Senior Management in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management.

The Committee shall, on the recommendation of the HR Manager, periodically review and consider the list of senior management due for retirement/attrition within the financial year. The Committee shall also consider the new vacancies that may arise because of emerging business needs/ upgradation of Department(s)/Regional Office(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 Managing Director & CEO and Chief Operating Officer, the Nomination and Remuneration Committee:

- shall evaluate the incumbent after considering all relevant criteria like experience, age, health, leadership quality, etc., and recommend to the Board, if necessary, as per the service rules of the Company, whether the concerned individual be granted an extension in term/ service or be replaced with an identified internal or external candidates;
- 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 utilise the services of professional search firms to assist in identifying and evaluating potential candidates;
- may recommend to the Board, if necessary, to appoint other suitable external candidate(s) through special recruitment in the senior management level, based on job roles and competencies in order to provide a continuous flow of talented people to meet the organisational needs.

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 smooth transition;

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The Managing Director/ Chief Operating Officer and the Human Resources Department of the Company shall, from time to time identify high-potential employees who merit faster career progression to positions of higher responsibility and formulate, administer, monitor and review the process of skill development and identify the training requirements;

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 feasible) shall take interim charge of the position, pending regular appointment in terms of the Succession Plan;

In addition to the above, the appointment of KMP such as Chief Financial Officer, Company Secretary and other compliance professionals like the Chief Risk Officer, Chief Technology Officer, etc., shall be made in compliance with all applicable provisions of the Companies Act, 2013 and such other laws as may be applicable to such appointment.


iii. Evaluation of Performance:

- Make recommendations to the Board regarding fixing appropriate performance criteria for the Directors;
- Formulate the criteria and framework for the evaluation of performance of all Directors on the Board of the Company.

iv. Remuneration framework and Policies:

The Committee is responsible for reviewing and making recommendations to the Board on:

- Remuneration of Executive Directors to be presented for shareholders' approval including severance, if any;
- Sitting fees for Non-Executive Directors, including the membership of Board Committees;
- Remuneration for KMP and Senior Management having regard to the need to:
 - (i) attract and motivate talent to pursue Company's long term growth;
 - (ii) demonstrate a clear relationship between executive compensation and performance;
 - (iii) be reasonable and fair, having regard to best governance practices and legal requirements and;


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- (iv) Balance between fixed and incentive pay (to be discussed and framed in context of the HR Policy) reflecting short and long term performance objectives as appropriate for the Company and its goals (however, this clause shall not apply to the KMP/officers on deputation from NABARD/ other shareholders, who will be governed by the HR policies of the parent organisation).

6. Appointment of Directors/ Key Managerial Personnel/ Senior Management

(a) Appointment, criteria and qualifications

- i. A person to be appointed as Director, KMP or Senior Management should possess adequate qualification, expertise and experience for the position he/she is considered for;
- ii. Due diligence Report by the Company to be obtained for Appointment of Directors and the same be placed before the Nomination and Remuneration Committee;
- iii. The Nomination and Remuneration Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director, KMP or Senior Management and recommend to the Board his/her appointment. The Committee shall decide whether the qualification, expertise and experience possessed by a person is sufficient/satisfactory for the position.
- iv. A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors/areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
- v. The registration with Data Bank of Independent Directors under IICA to be mandatory criteria for appointment of Independent Directors on the Board of the Company.
- vi. The Company shall not appoint or continue the employment of any person as Managing Director/ Executive Director who has attained the age of sixty years and shall not appoint Independent Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended at the discretion of the committee beyond the age of sixty/ seventy years with the approval of shareholders by passing a special resolution based

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on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond sixty years/seventy years as the case may be.

- vii. A whole-time KMP of the Company shall not hold office in more than one Company except in its subsidiary Company at the same time. However, a whole time KMP may be appointed as a Director in any Company, with the permission of the Board of Directors of the Company.

(b) Term/Tenure

(i) Managing Director/Whole time Director:

The Managing Director/ CEO or Whole Time Director shall be an officer deputed from NABARD. They shall be appointed on the basis of their terms of employment with NABARD.


(ii) Independent Director:

An Independent Director shall hold office for a term upto five consecutive years on the Board of the Company and will be eligible for reappointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. At the time of appointment of an Independent Director, it should be ensured that the number of Boards on which such Independent Director serves, is restricted to applicable regulations in force.

(c) Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations, the Nomination and Remuneration Committee may recommend to the Board with the reasons recorded in writing, removal of a Director, KMP or senior management personnel subject to the provisions and compliance of the Companies Act, 2013. Appointment of a Director may also be terminated in accordance with the provisions of the Companies Act, 2013, the Master Directions- Non Banking Financial Company- Systematically Important, Non Deposit

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taking Company (Reserve Bank) Directions 2016 and the Articles of Association of the Company from time to time in force.

(d) Retirement

The Directors, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and prevailing policy of the Company, if any. The Board will have the discretion to retain the Directors, KMP and Senior Management in the same position/remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.


7. Remuneration to Directors/ Key Managerial Personnel/ Senior Management:

(A) General

- i. The remuneration of the Directors/Managing Directors/Whole Time Directors and Managers, etc., will be governed as per provisions contained in the Companies Act, 2013 and Rules made therein from time to time;
- ii. The remuneration/compensation to be paid to Directors will be determined by the Nomination and Remuneration Committee and recommended to the Board for approval;
- iii. Increments to the existing remuneration/compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the Shareholders in the case of Managing Director/Whole time Director.

(B) Remuneration to KMP and Senior Management

The pay and perquisites of KMP and Senior Management shall be designed to ensure their continued alignment with organisational goals. The Committee aims to ensure that KMP and Senior Management pay is reflective of market pay, in case recruited from the industry. However, this clause shall not apply to the KMP on deputation from NABARD/ other shareholders, who will be governed by the HR policies of the parent organisation. In case these positions are filled by way of deputation from NABARD, in such cases, the pay and perks of such officials shall be protected.

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(C) Remuneration to other employees

The compensation for other employees would be as per the Compensation/ HR Policy of the Company.

(D) Minimum remuneration to Whole-time Directors

In case, during a financial year, the Company has not booked profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Directors in accordance with the provisions of Schedule V of the Companies Act, 2013.

(E) Remuneration to Non-Executive/Independent Directors

The key element of remuneration of Non-executive/Independent Directors is sitting fees, subject to overall limit as prescribed in the Companies Act, 2013 and Rules made thereunder and the approval of the Board as applicable.

(8) Awareness Training to the Independent Directors

The Independent Directors at the time of their appointment shall be provided with an orientation by the senior management. They will also be provided with the material/literature regarding the Company's business and its operations, governing documents, information on key personnel and financial information to familiarise them with the Company. Their appointment letter will provide their roles and responsibilities in the Company.

(9) Policy review

This Policy is based on the provisions of the Companies Act, 2013 and Rules thereunder. In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in this Policy inconsistent with the Act or Regulations, the provisions of the Act or Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with prevalent law.

The Policy shall be reviewed by the Nomination and Remuneration Committee as and when required or at least annually, whichever is earlier. Changes or modifications to this Policy, if any, shall be recommended by the Committee to the Board of Directors for approval. In case there are no changes or modifications, the same may also be apprised to the Board of Directors