

## **NOMINATION AND REMUNERATION POLICY**

### **Preamble**

As per the Companies Act 2013, Board of every Company shall constitute a Nomination and Remuneration Committee. Further Board shall have a policy on Nomination & Remuneration duly approved by them and get the same displayed in the Company's website.

The Nomination and Remuneration Committee(NRC) of our company has been duly constituted by our Board of Directors in their meeting held on June 04, 2014 in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto (hereinafter referred to as 'the Act'). The Nomination and Remuneration Committee recommends the present policy to the Board of Directors in compliance with Section 178(3) of the Companies Act, 2013 read along with the applicable rules thereto.

### **Constituents of the Nomination & Remuneration Policy:**

The Nomination & Remuneration policy shall have two components:

**A. NOMINATION POLICY:** The following aspects shall be covered within the ambit and scope of the Nomination Policy:

- i) The constitution of Nomination and Remuneration Committee (NRC) shall be as per Annexure I.
- ii) NRC shall lay down basic criteria for selection to identify persons who are qualified to become Directors of the Company. Formulation of such criteria shall be aimed at determining qualifications, positive attributes and independence of a Director. (Annexure 2)
- iii) Whenever a new director is to be inducted, then NRC shall review the profiles of candidates and evaluate their credentials against the laid down criteria to establish that they are fit and proper for the position for which they are being considered.
- iv) The appointment, renewal, re-appointment, re-categorisation and/or removal of the Directors identified in accordance with laid down criteria, including extension or continuation of the term of appointment, shall be recommended by NRC to the Board. The term 'Director' used in this policy shall carry the same meaning as defined under Companies Act, 2013 and include independent director.

v) Nomination and Remuneration Committee shall review the criteria laid under CFHL service regulations/HRM policy/Promotion policy for selection of employees for Senior Management of the company. Further it shall lay down criteria for direct selection of candidates for Senior Management positions, wherever decided. NRC shall also identify such Senior Management Personnel identified for removal and recommend to the Board, as when demand arises. The Board shall take note of such appointment (s) or removal(s) of senior management personnel by means of a resolution passed at meetings of the Board in accordance with Rule 8(3) of Companies (Meetings of Board and its Powers) Rules, 2014.

vi) Determination of Broad guidelines for appointment and/ or removal/ retirement of Senior Managerial Personnel (Annexure 3)

#### **B. REMUNERATION POLICY:**

i) The Remuneration policy shall among other things cover remuneration for the Directors at periodical intervals. Further it shall review the remuneration /salary/perquisites for directly recruited senior management personnel, Key Management Personnel and all other regular employees governed by CFHL service regulations at the intervals as per guidelines laid down in HRM policy and recommend to the Board.

ii) However, in the case of Managing Director, deputed from the Sponsor Bank, the Remuneration, perquisites and other entitlements shall be applicable as per norms laid down by the Sponsor Bank. In respect of appointment of Managing Director from the market, the NRC shall recommend salary/Remuneration/ Compensation/perquisites etc. to the Board.

iii) Incentive programmes/schemes/performance based benefits/employee stock option scheme (ESOP) etc. shall be framed and recommended to the Board by NRC.

The broad guidelines of remuneration policy is given in Annexure 4.

#### **Definitions:**

In this policy, unless stated otherwise or unless repugnant to the context, the following terms shall have the meanings as ascribed hereunder:

**(a) Key Managerial Personnel:** Key Managerial Personnel means and includes:

- (i) Chief Executive Officer or the managing director or the manager;
- (ii) Whole-time director duly appointed by the Board;
- (iii) Chief Financial Officer;
- (iv) Company Secretary;

**(b) Senior Management:** Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors. This would include all members of management one level below the Key Managerial Personnel including all functional heads. The Deputy General Manager(s), Assistant General Manager(s) and Chief Manager(s) of the Company shall be considered to be functional heads for the purpose of this policy.

The Nomination & Remuneration policy shall be reviewed on annual basis by the Nomination and Remuneration Committee of the Board and recommend Board for adoption.



## Annexure 1

### CONSTITUTION OF NOMINATION AND REMUNERATION COMMITTEE

The Nomination & Remuneration Committee shall be constituted by the Board.

#### Membership:

- a) The Committee shall consist of a minimum 3 non-executive directors. Not less than one half member of the Committee shall be independent directors.
- b) Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.
- e) The Chairperson of the Committee shall be independent director as decided by the Board. In no case, the Chairperson of the Committee shall be a person who occupies the position of Chairperson of the Company. The Chairperson of the Committee shall attend the general meetings of the company while representing the committee. In case of Chairperson's absence, any other member of the committee shall attend the general meetings of the Company.

#### 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.

#### Secretary:

- a) The Company Secretary of the Company shall act as Secretary of the Committee.

#### Frequency of Meetings:

- a) The meeting of the Committee shall be held at such regular intervals as may be required.

#### Minutes of Committee Meeting:

- (a) Proceedings of all meetings shall be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

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## Annexure 2

### PROVISIONS FOR APPOINTMENT AND REMOVAL OF DIRECTORS

#### 1. Appointment Criteria and Qualifications

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, liable to retire by rotation or an Independent Director and recommend to the Board his /her appointment.

b) A person should possess adequate qualification, expertise and experience to be eligible for appointment as director. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for being appointed as Director, liable to retire by rotation or an Independent Director.

The Committee also has discretion to recommend to the Board, the appointment /re-classification of 'a director liable to retire by rotation' or 'an independent director in terms of clause 49 of the listing agreements' to 'an Independent Director under the Act'.

c) No person shall be eligible to be appointed as a director of the Company if he suffers from any of the disqualifications contained in Section 164 of the Companies Act, 2013 or if he is disqualified by virtue of any other Section of Companies Act, 2013 or any rules made thereunder.

d) An Independent Director shall hold office for a term upto three consecutive years, on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

e) No Independent Director shall hold office for more than two consecutive terms upto to three years each but such Independent Director shall be eligible for appointment after expiry of three years (hereinafter referred to as cooling-off period) of ceasing to become an Independent Director.

Provided that an Independent Director shall not, during the cooling-off period, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

#### 2. Board Diversity

Company shall aim to enhance the effectiveness of the Board by diversifying its composition and to obtain the benefit out of such diversity in better and improved decision making. In order to ensure that the Company's boardroom has appropriate balance of skills, experience and diversity of perspectives that are imperative for the execution of its business strategy, the Company shall consider a number of factors, including but not limited to skills, educational qualification, industry experience, expertise, background, gender, ethnicity and physical disability. In order to ensure a balanced composition of executive, non-executive and independent directors on the Board, the Company shall consider candidates from a wide variety of backgrounds, without discrimination and based on the above factors.

The Nomination and Remuneration Committee (NRC) of the Company shall review and assess the Board composition in terms of the provisions of the Companies Act, 2013 and related rules and also the provisions of listing agreement and shall recommend to the Board, the appointment of new Directors considering the benefits of diversity, but not limited to, those described above, in order to ensure effective discharge of its duties and responsibilities.

#### 3. Evaluation

The Committee shall carry out evaluation of performance of every Director. Such an evaluation shall be carried out on yearly basis. The evaluation shall be done on the basis of the following criteria i.e; whether Directors:

(a) act objectively and constructively while exercising their duties;



- (b) exercise their responsibilities in a bona fide manner in the interest of the company;
- (c) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- (d) do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (e) refrain from any action that would lead to loss of his independence;
- (f) inform the Board immediately when they lose their independence;
- (g) assist the company in implementing the best corporate governance practices;
- (h) strive to attend all meetings of the Board of Directors and the Committees;
- (i) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (j) strive to attend the general meetings of the company;
- (k) keep themselves well informed about the company and the external environment in which it operates;
- (l) do not unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (m) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
- (n) abide by Memorandum and Articles of Association, policies and procedures including code of conduct, insider trading guidelines etc. of the Company.

#### 4. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable statute/Acts, rules and regulations there under, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director subject to the provisions and compliance of the said statute/Acts, rules and regulations.

#### 5. Retirement

The Directors shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company unless otherwise provided in the Memorandum of Association and Articles of Association and the Act or rules made thereunder.



**Annexure 3**

**PROVISIONS FOR APPOINTMENT AND REMOVAL OF SENIOR MANGEMENT PERSONNEL**

**Appointment:**

- (i) The Committee shall lay down criteria for ascertaining integrity, qualification, expertise and experience of the person for appointment as Senior Management Personnel in conjunction with provisions of HRM & promotion policy of the company as amended from time to time and recommend to Board for their due approval. The Committee shall have access to the HRM & promotion policies as well as the general/relevant background information including experience and qualification of the candidates available for selection to position of senior management.

**Removal:**

- (i) Due to any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable statutes/Acts, CFHL rules and regulations as per HRM policy & CFHL service regulations , the Committee may review the performance/conduct of the senior management personnel and recommend, to the Board with reasons recorded in writing for removal of Senior Management Personnel

**Retirement:**

- (i) The Senior Management Personnel shall retire as per the CFHL Staff Regulations prevailing from time to time and the provisions of Companies Act.
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## Annexure 4

### REMUNERATION POLICY

#### Remuneration of Directors, Key Managerial Personnel and Other Employees:

- (i) The remuneration /compensation /commission/perquisites/benefits/facilities etc. to the Whole-time Director /Managing Director recruited from the market shall be determined by the Nomination and Remuneration Committee and recommend to the Board.
- (ii) The remuneration / compensation / commission etc. shall be subject to rules laid down by the Government, wherever the same is required under the Company law or any rules made there under.
- (iii) Such remuneration/ Compensation/ Commission, etc. or any increments thereof shall be within the statutory limits specified under the Companies Act or any rules or schedule thereto.
- (iv) However, in the case of Managing Director/General Manager/other employees deputed from the Sponsor Bank, the Remuneration, perquisites, entitlements and other service conditions applicable to such Executives in the Sponsor Bank shall be applicable.
- (v) The Whole-time Director /Managing Director/Manager, as defined under the Act, shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.
- (vi) If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director/ Managing Director/Manager in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- (vii) If any Whole-time Director/ Managing Director/Manager draws or receives, by way of remuneration from the Company any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.
- (viii) The Director, including an Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. The sitting fees for attending the Board meeting shall be Rs.20,000/- and for attending Committee meeting shall be Rs.10,000/- for the present. Any increase in the sitting fees shall be recommended by the Nomination and Remuneration Committee to the Board for approval.
- (ix) The directors shall be entitled for the expenses on travel, accommodation & local transport for attending the above meetings on terms as applicable to Managing Director.



- (x) The remuneration / compensation / commission etc. including its break-up payable will be recommended by the Nomination and Remuneration Committee, to the Board for approval.
- (xi) The remuneration / compensation / commission/ incentive etc. including its break-up payable to the senior management personnel, Key Management Personnel and all other regular employees as payable under CFHL service regulations shall be subject to review by the Nomination and Remuneration committee at the intervals as per guidelines laid down in HRM policy. The Board shall be guided by the recommendations and suggestions of the Nomination and Remuneration committee suggested to the Board pursuant to such review.
- (xii) The remuneration / compensation / commission etc. payable to MD & incentives to Employees under Employees Stock Option (ESOP) shall be subject to the prior/post approval of the Board and shareholders of the Company and Central Government, wherever required under the Company law or any rules made thereunder.
- (xiii) The remuneration/ Compensation/ Commission, etc. or any increments thereof shall be within the statutory limits wherever the same is required under the Company law or any rules made thereunder.
- (xiv) The Nomination and Remuneration Committee shall ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- (xv) Where any insurance is taken by the Company on behalf of its Whole-time Director/ Managing Director/ KMPs or any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.
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