

-----  
**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-1.
- ii) NRC shall lay down basic criteria for selection and to identify persons who are qualified to become Directors of the Company. Formulation of such criteria shall be aimed at determining qualifications, expertise, track record, integrity, positive attributes, independence of a Director and other 'fit and proper' criteria. NRC shall ensure 'fit and proper' criteria of the directors, as per Annexure-2, at the time of appointment and on a continuing basis.
- iii) NRC shall review the information, declarations and undertakings given by the existing and proposed Director(s) giving additional information in the prescribed format (Annexure-3) in terms of 'Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016' (vide notification No.NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 09/02/2017) and the Chairman of NRC shall authenticate the same.
- iv) NRC shall ensure that the deeds of covenants are signed by the Directors in the format prescribed (Annexure-4) and approved by the Board pursuant to his/her terms of appointment.
- v) 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.



- vi) 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 (Annexure-5), 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.
- vii) NRC shall review the criteria laid down 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 review the proposal of removal of such Senior Management Personnel and ensure that the same is noted by the Board. NRC shall also review the proposal for appointment or removal of any Key Managerial Personnel (KMP) and recommend to the Board for such appointment or removal and the Board shall approve for such appointment or removal of KMP 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.
- viii) Determination of broad guidelines for appointment and/ or removal/ retirement of Senior Managerial Personnel and Key Managerial Personnel (Annexure-6)

## **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 are given in Annexure-7.

### **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 Managing Director/whole-time Director/General Manager 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 to 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:

The Company Secretary of the Company shall act as Secretary of the Committee.

#### Frequency of Meetings:

The meeting of the Committee shall be held at such regular intervals as may be required. Minimum one meeting shall be held in a financial year.

#### 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.

#### Charter of the Nomination and Remuneration Committee of Can Fin Homes Ltd.:

**1) Size:** Minimum three directors [Reg 19(1)(a) of SEBI LODR, Section 178(1) of the Companies Act, 2013 and Para 3 (II) of HFCs Corporate Governance (NHB) Directions, 2016].

#### **2) Composition:**

- All members of the committee shall be non-executive directors [Reg 19(1)(b)]
- At least fifty percent of the directors shall be independent directors [Reg 19(1)(c)]
- The Chairperson of the committee shall be an independent director [Reg 19(2)]
- If the Chairperson of the Company (executive or non-executive) may be appointed as a member of the Committee and shall not chair such Committee. [Reg 19(2) proviso]



### 3) Quorum:

- The quorum shall be either two members or one third of the members of the committee, whichever is greater.
- The Chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries. [Reg 19(3)-SEBI LODR]

### 4) Role/responsibility/functions: The NRC shall;

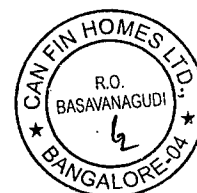
- a. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;(LODR)
- b. Formulate the criteria for evaluation of performance of independent directors and the board of directors; (LODR)
- c. devise a policy on diversity of board of directors; (LODR)
- d. identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal. (LODR & CA 2013)
- e. Consider whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors. (LODR)
- f. carry out evaluation of every director's performance.
- g. recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- h. while formulating the policy the NRC shall ensure that;
  - (a) 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;
  - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

Such policy shall be disclosed in the Board's report.

### 6) Current members:

- (i) Shri T.V.Rao, Chairperson
- (ii) Smt. P.V.Bharathi, Member
- (iii) Shri G Naganathan, Member

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 Managing Director/whole-time Director/General Manager 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.



## **Annexure 2**

### **Fit and Proper Criteria as per NHB Directions**

#### **'Fit and Proper' Criteria for Directors of Housing Finance Companies'**

The importance of due diligence of Directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. It is proposed to follow the same guidelines mutatis mutandis in case of Housing Finance Companies also. While the National Housing Bank carries out due diligence on Directors before issuing Certificate of Registration to HFC, it is necessary that HFCs put in place an internal supervisory process on a continuing basis. Further, in order to streamline and bring in uniformity in the process of due diligence, while appointing Directors, HFCs are advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

- a) HFCs should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. HFCs should obtain necessary information and declaration from the proposed / existing Directors for the purpose in the format given at Annexure-2.
- b) The process of due diligence should be undertaken by the HFCs at the time of appointment / renewal of appointment.
- c) The Boards of the HFCs should constitute Nomination Committees to scrutinize the declarations.
- d) Based on the information provided in the signed declaration, Nomination Committees should decide on the acceptance or otherwise of the Directors, where considered necessary.
- e) HFCs should obtain annually as on 31st March a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith Annexure-3.
- f) The Board of HFCs must ensure in public interest that the nominated/ elected Directors execute the deeds of covenants in the format given in Annexure-4.



**Annexure-3**

Name of HFC:

Declaration and undertaking by Director  
(with enclosures as appropriate as on \_\_\_\_\_)

- i) Personal details of Director
  - a. Full Name:
  - b. Date of Birth:
  - c. Educational Qualifications:
  - d. Relevant Background and Experience:
  - e. Permanent Address:
  - f. Present Address:
  - g. E-mail Address:
  - h. Telephone Number:
  - i. DIN:
  - j. PAN and Name & address of Income Tax Circle:
  - k. Relevant Knowledge and experience:
  - l. Any other information relevant to Directorship of the HFC:
- ii) Relevant Relationship of Director:
  - a. List of relatives if any who are connected with the Company {As per Section 2(77) of the Companies Act, 2013}
  - b. List of entities if any in which he/she is considered as being interested (As per section 184 of the Companies Act, 2013}
  - c. List of entities in which he/she is considered as holding substantial interest within the meaning of HFC (NHB) Directions, 2010 As per Annexure 3(a)
  - d. Name of HFC in which he/she is or has been Member of the board (giving details of period during which such office was held) As per Annexure 3(b)
  - e. Fund and Non-Fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the Company As per Annexure 3(c)
  - f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the HFC or any other HFC/Bank. As per Annexure 3(d)



- iii) Records of professional achievements
  - a. Relevant professional achievements
  
- iv) Proceedings, if any, against the Director
  - a. If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.
  
  - b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations.
  
  - c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director
  
  - d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013?
  
  - e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?
  
  - f. Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange/other revenue authorities, if so give particulars
  
  - g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA, RBI, etc.
  
- v) Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper

**Undertaking**

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the HFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above. I also undertake to execute the deed of covenant required to be executed by all Directors of the HFC.

Place:

Signature

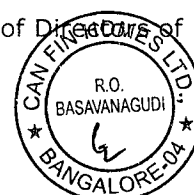
Date:

- vi) Remarks of Chairman of Nomination Committee / Board of Directors of HFC

Place:

Signature

Date:



Annexure 3(a)

List of entities in which the director is holding substantial interest (10% individually/jointly) within the meaning of HFC (NHB) Directions, 2010 as on \_\_\_\_\_

Sl. No.	Name of the Entity	No. of Shares held

Annexure 3(b)

Name of HFC in which the director is or has been Member of the board (giving details of period during which such office was held) as on \_\_\_\_\_

Sl. No.	Name of Company	Period	
		From	To

Annexure 3(c)

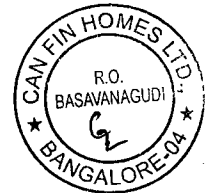
Fund and Non-Fund facilities, if any, presently availed of by the director and/or by relatives and/or by entities listed in annexure 3 under para (ii)(a) and (ii)(b) above from the Company as on \_\_\_\_\_

Sl. No.	Facility	Fund/Non-Fund

Annexure 3(d)

Cases, if any, where the director or entities listed in annexure 3 under para (ii)(a) and (ii)(b) above are in default or have been in default in the past in respect of credit facilities obtained from the HFC or any other HFC/ Bank as on \_\_\_\_\_

Sl. No.	Case	Status





## Form of Deed of Covenants with a Director

THIS DEED OF COVENANTS is made this ..... day of .....Two Thousand.....BETWEEN.....having its registered office at .....(hereinafter called the "HFC") of the one part and Mr/Ms..... of ..... (hereinafter called the "Director") of the other part.

## WHEREAS

- A. The director has been appointed as a director on the Board of Directors of the HFC (hereinafter called "the Board") and is required as a term of his/her appointment to enter into a Deed of Covenants with the HFC.
- B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his/her said terms of appointment.

## NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

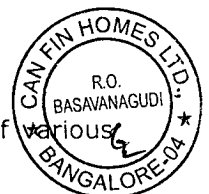
- 1 The director acknowledges that his / her appointment as director on the Board of the HFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the HFC and the provisions of this Deed of Covenants.
- 2 The director covenants with the HFC that:
  - i) The director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the HFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.
  - ii) The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
  - iii) The director shall provide to the HFC a list of his / her relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies' corporate, firms and other entities.
  - iv) The director shall in carrying on his / her duties as director of the HFC:
    - a. use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
    - b. in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the HFC;
    - c. shall keep himself / herself informed about the business, activities and financial status of the HFC to the extent disclosed to him / her;
    - d. attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as director of the HFC;



- e. shall not seek to influence any decision of the Board for any consideration other than in the interests of the HFC;
  - f. shall bring independent judgment to bear on all matters affecting the HFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
  - g. shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
  - h. shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;
- v) The director shall have:
- a. fiduciary duty to act in good faith and in the interests of the HFC and not for any collateral purpose;
  - b. duty to act only within the powers as laid down by the HFC's Memorandum and Articles of Association and by applicable laws and regulations; and
  - c. duty to acquire proper understanding of the business of the HFC.
- vi) The director shall:
- a. not evade responsibility in regard to matters entrusted to him / her by the Board;
  - b. not interfere in the performance of their duties by the whole-time Directors and other officers of the HFC and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
  - c. not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the HFC in his / her capacity as director of the HFC only for the purposes of performance of his / her duties as a director and not for any other purpose.
  - d. make declaration to the effect that:
    - i) he/she has not been associated with any unincorporated body that is accepting deposits;
    - ii) he/she has not been associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the National Housing Bank;
    - iii) there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against him/her.

3 The HFC covenants with the director that:

- i) the HFC shall apprise the director about:
  - a. Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
  - b. control systems and procedures;
  - c. voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
  - d. qualification requirements and provide copies of Memorandum and Articles of Association;
  - e. corporate policies and procedures;
  - f. insider dealing restrictions;
  - g. constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;



- h. appointments of Senior Executives and their authority;
  - i. remuneration policy;
  - j. deliberations of committees of the Board, and
  - k. communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the HFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- ii) the HFC shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the HFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;
- iii) the disclosures to be made by the HFC to the Directors shall include but not be limited to the following:
- a. all relevant information for taking informed decisions in respect of matters brought before the Board;
  - b. HFC's strategic and business plans and forecasts;
  - c. organisational structure of the HFC and delegation of authority;
  - d. corporate and management controls and systems including procedures;
  - e. economic features and marketing environment;
  - f. information and updates as appropriate on HFC's products;
  - g. information and updates on major expenditure;
  - h. periodic reviews of performance of the HFC; and
  - i. report periodically about implementation of strategic initiatives and plans.
- iv) the HFC shall communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate minutes of the meeting of Board to Directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- v) advise the director about the levels of authority delegated in matters placed before the Board.
- 4 The HFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
- 5 The HFC shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of National Housing Bank and other concerned statutory and governmental authorities.
- 6 The director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as director of the HFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the HFC.
- 7 The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.



- 8 Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the HFC.
- 9 This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For the HFC

Director

By .....

Name:

Name:

Title:

In the presence of:

1.....

2. ....



## Annexure 5

### 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 of 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 of 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

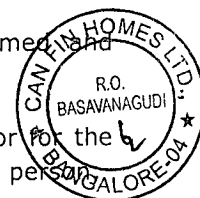
The Committee shall carry out evaluation of performance of every Director. Such an evaluation shall be carried out on yearly basis. The evaluation shall be done on the basis of the following criteria i.e; whether Directors:

(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 - 6**

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

**Appointment:**

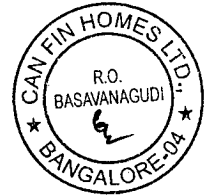
- (i) The Committee shall lay down criteria for ascertaining integrity, qualification, expertise and experience of the person for appointment as Senior Management Personnel in conjunction with provisions of HRM & promotion policy of the company as amended from time to time and recommend to Board for 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.



## Annexure 7

### 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 other regular employees as payable under CFHL service regulations shall be subject to the provisions of the Companies Act, 2013 and the rules made thereunder.





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.

