

Nomination and Remuneration Policy of Fedbank Financial Services Limited

INTRODUCTION:

At all levels and all times monetary compensation has been if not the sole, the most important motivational criteria for getting the job fulfilled under any given business scenario. It is the endeavor of Fedbank Financial Services Limited (Fedfina) (“Company”) that its Nomination & Remuneration Policy should represent the mode in which the Company carries out its business practices i.e. fair, transparent, inclusive and flexible. The Management is responsible for the positive influence on the workplace and recruitment practices and for promoting and fostering fairness to all employees. The Company does not discriminate on the grounds of age, gender, colour, race, ethnicity, language, caste, creed, economic or social status or disability and considers human resources as its vital resource. The Company strives that its Remuneration Policy should attract, motivate, improve productivity and retain manpower, by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits. The intention of the Company through this policy is to pay equitable remuneration to all Directors, Key Managerial Personnel, Senior Management and other employees of the company and to evaluate the performance of Directors (including Independent Directors), Key Managerial Personnel and Senior Management.

Therefore, in pursuance of the Company’s policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel and Employees of the company, to harmonize the aspirations of human resources consistent with the goals of the company, this Nomination and Remuneration Policy is being formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 of the Listing Agreement, as amended from time to time. This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee and has been approved by the Board of Directors.

OBJECTIVE OF THE POLICY:

The Key Objectives of this policy are:

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel, Senior Management and other employees.
- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, Key Managerial Personnel, Senior Management and other employees.
- To Formulate a criteria for evaluation of Independent Directors and the Board.
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- To devise a plan/policy on Board Diversity.
- To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel, Senior Management and other employees.

- To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To develop a succession plan for the Board and to regularly review the plan.
- To assist the Board in fulfilling responsibilities.
- To Implement and monitor policies and processes regarding principles of corporate governance.

DEFINITIONS:

'Act' means the Companies Act, 2013 and rules thereunder including any statutory modification(s), enactment(s) or re-enactment(s) thereof for the time being in force;

'Board of Directors' or 'Board', in relation to the Company, means the collective body of the directors of the Company;

'Committee' means the Nomination and Remuneration committee of the Company, constituted and re-constituted by the Board from time to time in accordance with the provisions of the Act;

'Company' means Fedbank Financial Services Limited (Fedfina);

'Directors' means the directors of the Company;

'Independent Director' means an independent director defined in Section 2(47) of Companies Act, 2013 or any modification or re-enactment made thereunder and any other applicable laws for the time being in force;

'Key Managerial Personnel' (the "KMP") shall mean "Key Managerial Personnel" as defined in Section 2(51) of the Act;

'Other employees' means all the employees other than the Directors, KMPs and the Senior Management;

'Policy or This Policy' means, Nomination and Remuneration Policy

'Remuneration' means any money or its equivalent given or passed to the Directors, KMPs, Senior Management and other employees for services rendered by them and includes perquisites as defined under the Income-tax Act, 1961;

'Senior Management' means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Executive Directors, including all functional heads as defined in the Companies Act, 2013.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013, Listing Agreement and/ or any other SEBI Regulation(s) as may be amended from time to time shall have the meaning respectively assigned to them therein..

CONSTITUTION OF THE COMMITTEE:

The Board of Directors of the Company (the Board) shall constitute the committee to be known as the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half are independent directors. The Chairman of the Committee is Non-executive Director. However, the Chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

FREQUENCY OF MEETINGS:

The meeting of the Committee shall be held at regular intervals as deemed fit and appropriate. The Company Secretary of the Company shall act as the Secretary of the Committee. The Chairman of the Committee or in his absence any other member of the Committee authorized by him on his behalf shall attend general meetings of the Company.

COMMITTEE MEMBERS' INTERESTS:

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. The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

VOTING:

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. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

MINUTES OF COMMITTEE MEETING:

Proceedings of all meetings must be documented 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.

NOMINATION DUTIES:

The duties of the Committee in relation to nomination matters include:

- Ensuring that there is an appropriate induction & training program in place for new Directors and members of Senior Management and reviewing its effectiveness.
- Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013.
- Identifying and recommending Directors who are to be put forward for retirement by rotation.
- Determining the appropriate size, diversity and composition of the Board.
- Setting a formal and transparent procedure for selecting new Directors for appointment to the Board.

- Developing a succession plan for the Board and Senior Management and regularly reviewing the plan.
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective.
- Making recommendations to the Board concerning any matters relating to the continuation in office of any Director 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.
- Delegating any of its powers to one or more of its members or the Secretary of the Committee.
- Recommend any necessary changes to the Board.
- Considering any other matters as may be requested by the Board.

Remuneration Duties:

The duties of the Committee in relation to remuneration matters include:

- To consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- To approve the remuneration of the Senior Management including KMP of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- To delegate any of its powers to one or more of its members or the Secretary of the Committee
- To consider any other matters as may be requested by the Board.

GENERAL:

This Policy is divided in two parts:-

PART-I covers the Criteria for Selection of Candidates for Senior Management and Members on the Board of Directors;

PART-II covers the Appointment, Removal, Retirement and Remuneration of Directors, Key Managerial Personnels and Other Employees.

PART-I: POLICY ON THE CRITERIA FOR SELECTION OF CANDIDATES FOR SENIOR MANAGEMENT AND MEMBERS ON THE BOARD OF DIRECTORS

In accordance with the provisions of Section 178 of the Companies Act, 2013, the Committee is responsible for formulating the criteria for identification, selection of the candidates fit for the various positions in senior management and who are qualified to be appointed as directors on the Board of Directors of the Company.

The Committee has requested to adopt the following criteria for selection of candidates eligible to be appointed in the senior management of the Company and also member on the Board of Directors of the Company and recommend the same to the Board for approval.

1. Criteria for selection of Senior Management:

For the appointment of KMP (other than Managing Director/Manager) or Senior Management, a person should possess adequate qualification, expertise and experience for the position he / she is considered for the appointment. Further, for administrative convenience, for the appointment of Senior Management, the Managing Director/Manager is authorised to identify and appoint a suitable person for such position.

However, if the need be, the Managing Director/Manager may consult the Committee / Board for further directions / guidance.

In case of appointment of Managing Director/Manager, the committee shall, before making any recommendation to the Board for appointment, consider the attributes of the candidate set forth below:

- The candidate should have a required level of qualification and experience in any of the areas viz. banking, infrastructure, financial management, legal, sales, marketing, administration, research, corporate governance, technical operations or such other areas or disciplines which in the opinion of the management and Committee are relevant for the Company's business;
- The candidate should possess the positive attributes such as leadership skills, decision making skills, effective communication, commitment and such other attributes which in the opinion of the Committee the candidate should possess in the interest of the Company.

2. Criteria for Selection of Directors:

The Committee shall, before making any recommendation to the Board for appointment of any director, consider the following:

- the candidate should possess the positive attributes such as Leadership, Industrialist, Business Advisor or such other attributes which in the opinion of the Committee the candidate should possess in the interest of the Company;
- the candidate should be free from any disqualifications as provided under Sections 164 and 167 of the Companies Act, 2013;

- the candidate should meet the conditions of being independent as stipulated under the Companies Act, 2013 in case of appointment of an independent director;
- the candidate should possess appropriate educational qualification, skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations, infrastructure, social service, professional teaching or such other areas or disciplines which are relevant for the Company's business.

If the Committee thinks fit and in its opinion finds that the candidate meets the above criteria for appointment as Senior Management or as a Director on the Board, as the case may be, the Committee shall make its recommendation to the Board.

Any amendment to the above criteria for appointment of Directors and Senior Management shall be subject to the prior approval of the Committee and any such amendment shall be informed to the Board of Directors.

PART-II: THE POLICY ON APPOINTMENT, REMOVAL, RETIREMENT AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

The Committee identifies and ascertains the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommends his / her appointment, as per Company's Policy.

The intent of this is to focus on enhancing the value and to attract and retain quality individuals with requisite knowledge and excellence as Executive or Non-Executive Directors, KMP or Senior Management for achieving overall objectives of the Company. Further the Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position. The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals.

While deciding the policy on remuneration of Directors and KMP, the Committee may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013 and Articles of Association of the company.

A. Appointment and Remuneration of Managing Director or Manager:

Term/Tenure:

The term of office and remuneration of Managing Director/Manager are subject to the approval of the Board of Directors, shareholders, and Central Government, as may be required and the limits laid down under the Companies Act, 2013 from time to time.

The Company shall appoint or re-appoint any person as its Managing Director or Manager for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

The Chairperson of the Committee or in his absence, any other member of the Committee authorized by him in this behalf shall attend the general meetings of the Company.

Remuneration:

The remuneration to the Managing Director/Manager comprises of salary, perquisites and performance based incentive apart from retirement benefits like Provident Fund, Gratuity, Leave Encashment, etc., as per Rules of the Company. Salary is paid within the range approved by the Shareholders.

Remuneration also aims to motivate the Personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Managing Director/Manager are entitled to customary & non-monetary benefits such as company cars, communication facilities, club fees etc., as per policies of the Company subject to approval by the Board.

Minimum Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director or 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.

The Committee shall 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.

B. Appointment and Remuneration of KMP or Senior Management:

Tenure & Remuneration:

Appointment and Remuneration of KMP (excluding the MD/Manager) and/or Senior Management shall be governed by HR Policy of the company which inter alia includes following:

The remuneration is divided into two components viz. fixed component comprising of salaries, perquisites and retirement benefits and a variable component comprising of performance bonus.

The remuneration including annual increment and performance bonus is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement, individual's performance vis-à-vis KRAs/ KPIs, industry benchmark and current compensation trends in the market.

The Managing Director/Manager will carry out the individual performance review based on the standard appraisal matrix and shall take into account the appraisal score card and other factors mentioned herein-above, whilst recommending the annual increment and performance incentive to the Committee for its review and approval.

However, in case of KMP, appointment and payment of Remuneration is subject to approval by the Board on recommendation of the Committee.

C. Appointment and Remuneration of the Non- Executive Director/ Independent Director:

Tenure:

An Independent Director shall hold office for a term up to five 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.

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 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 Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Companies Act, 2013.

Remuneration:

Remuneration may be payable to the Non-Executive Directors (NEDs) by way of Commission and Sitting Fees. In terms of the shareholders' approval, the Commission may be paid at a rate not exceeding 1% (one percent) per annum of the profits of the Company computed in accordance with the applicable provisions of the Companies Act, 2013. The distribution of Commission amongst the NEDs shall be placed before the Board, if any through recommendation of the Committee.

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed ₹ One Lac per meeting of the Board or Committee or such amount as may be approved by the Board and prescribed by the Central Government from time to time. Further, the Independent Directors may charge reimbursement of expenses for participation in the Board Meeting and for conducting separate meetings of the Independent Directors.

The Committee shall ensure that remuneration to Directors, KMP 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.

D. Appointment and Remuneration of Other employees:

The Company has a separate HR policy relating to appointment and remuneration of the other employees which is administered by the HR wing of the Company.

Apart from the Directors, KMP and Senior Management, the remuneration for the rest of the employees is determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.

The Committee shall ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

E. REMOVAL

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management.

F. RETIREMENT

The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act 2013 and the prevailing HR policy of the Company.

BOARD DIVERSITY:

The Board shall consist of such number of Directors, including at least one women Director and not less than fifty percent of the Board of Directors comprising non-executive directors, as is necessary to effectively manage the Company of its size. When the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise independent directors and in case the Company does not have a regular non-executive Chairman or in case the regular non-executive Chairman is a promoter of the Company, at least half of the Board comprise independent directors.

The Committee will lead the process for Board appointments. All Board appointments will be based on the skills, diverse experience, independence and knowledge which the Board as a whole requires to be effective. The Committee shall seek to address Board vacancies by actively considering candidates that bring a diversity of background and opinion from amongst those candidates with the appropriate background and industry or related expertise and experience. The candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Additionally the Board may consider appointment of experts from various specialized fields such as finance, law, etc. so as to bring diversified skill sets on board or succeed any outgoing director with the same expertise.

POLICY REVIEW:

This policy is framed 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 the policy inconsistent with the Act or regulations, then 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 law.

This policy shall be reviewed by the Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.

DISCLOSURES

This policy shall be disclosed in the Board's report as required under the Companies Act, 2013.

Information on the total remuneration of members of the Company's Board of Directors, Managing Director/Manager and KMP shall also be disclosed in the Board's Report.