

## **NPR FINANCE LIMITED NOMINATION AND REMUNERATION POLICY**

NPR Finance Ltd. (the “Company”) recognizes that Human Capital plays an essential role in developing a company’s strategy. The future of any company depends on what it knows rather than what it owns. The former is intimately tied to the knowledge and experience of the people of the organization. Further, the honesty, integrity, sound judgement and performance of the Directors and the Senior Management are the key criteria for the success of the Company.

### **1. PREFACE**

1.1 Section 178 of the Companies Act, 2013, read with Rules made thereunder and Clause 49(IV)(B) of the Listing Agreement, defines the role of the Nomination and Remuneration Committee to include, inter alia amongst others, the following:

- To formulate the criteria for determining qualifications, positive attributes and independence of a director and to recommended to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees.
- To 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 their appointment and removal.

1.2 This Policy shall be applicable upon all the Directors, Key Managerial Personnel, Senior Management Personnel and other employees of the Company as prescribed.

1.3 This Policy shall be effective from 1<sup>st</sup> October, 2014.

### **2. POLICY OBJECTIVES**

This Policy is framed to define the basic principles and procedure of nomination and determination of remuneration of all the Directors, Key Managerial Personnel and other employees of the Company. It is further intended to ensure that the Company is able to attract, develop and retain high-performing Directors, Key Managerial Personnel and other employees and that their remuneration is aligned with the Company’s business strategies, values and goals.

### **3. DEFINITIONS**

3.1 “Act“means the Companies Act, 2013 and the Rules made thereunder, including, any modifications, amendments or re-enactment thereof.

3.2 “Audit Committee” means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act.

3.3 “Board of Directors” or “Board” means the collective body of the Board of Directors of the Company.

3.4 “Committee” means the Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the provisions of Section 178 of the Companies Act, 2013, and the Listing Agreement, as amended time to time.

3.5 “Company” means NPR Finance Limited inclusive of its Registered Office and all Branch Offices.

3.6 “Director” means a Director appointed to the Board of a Company.

3.7 “Independent Director” means a Director referred under provisions of Section 149 of the Companies Act, 2013 and the Rules framed thereunder and as provided under Clause 49 of Listing Agreement, as amended time to time.

3.8 “Key Managerial Personnel” means a Key Managerial Personnel as defined in the Act.

3.9 “Listing Agreement” means the Equity Listing Agreement of the Company with the Stock Exchange.

3.10 “Manager” means an individual, who subject to the superintendence, control and direction of the Board, has the management of the whole or substantially the whole of the affairs of a Company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether a contract of service or not.

3.11 “Policy” means this Nomination and Remuneration Policy

3.12 “Relative” means a relative as defined in the Act.

3.13 “Senior Management” shall mean personnel of the Company who are members of the core management team excluding the Board of Directors. This would also include all members of the management one level below the executive directors including all functional heads.

Interpretation: Words and/or expressions not specifically defined here shall derive their meaning from the Companies Act, 2013, read with the Rules made thereunder, Listing Agreement or any other law/legislature applicable upon the Company.

## **4. POLICY**

### ***4.1 Identification process of persons qualified to become Directors and who may be appointed in senior management***

The Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down in the Act and Clause 49 of the Listing Agreement. Subsequently, they shall recommend to the Board their appointment and removal and carryout the evaluation of every director’s performance in accordance with Section 178(2) of the Act read with the Rules framed thereunder and Clause 49(IV)(B)(4) of the Listing Agreement.

### ***4.2 Criteria for determining qualifications, positive attributes and independence of a director***

#### **➤ Qualifications, positive attributes of a director :**

The supreme executive authority controlling the management and affairs of a company vests in the team of directors of the company, collectively known as its Board of Directors. Therefore, considering the pivotal role of the Directors, it is important to define the required qualifications and positive attributes of a person appointed as a director :

1. The person should not be disqualified pursuant to Section 164 of the Act, read with the Rules made thereunder.

2. The Company shall consider the balance of skills, experience, expertise appropriate to the requirements of the businesses of the Company, etc. of persons for appointment as Directors, Key Managerial Personnel. The need of the hour also requires such person to possess requisite business literacy/skill.
3. The person should be open to learning and possess strong ethical values and requisite communication skills to execute his or her task as a Director.
4. A director should have the ability to respect alternative viewpoints.

The Board has not established specific minimum age, education, years of business experience or specific types of skills for Board members, but, in general, expects a candidate to have extensive experience and proven record of professional success, leadership and the highest level of personal and professional ethics, integrity and values.

The aforesaid criteria and attributes are not exhaustive principles and the Committee and Board can look beyond the aforesaid guidelines, to take the best decisions in the interest of the Company.

➤ **Additional Qualifications for a director appointed as a member of the Audit Committee:**

In addition to the attributes laid in Clause No. 4.1 of this Policy, a Director proposed to be appointed as a member of the Audit Committee should possess the following additional qualifications, in lieu of requirements of Section 177 of the Act read with the Rules made thereunder and Clause 49(III) of the Listing Agreement:

1. All members of the Audit Committee shall be financially literate. The term “financially literate” means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.
2. At least one member shall have accounting or related financial management expertise. A member will be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

➤ **Additional Criteria/Qualifications for a person proposed to be appointed as a Managing Director, Whole-time Director or Manager :**

In addition to the aforesaid criteria, the Company shall also adhere to the provisions of Section 196 of the Act, read with the Rules made thereunder and Schedule V of the Act, alongwith the relevant provisions of the Listing Agreement, if any.

➤ **Criteria of Independence for independent Directors :**

Pursuant to Clause 49(B) (II) of the Listing Agreement and Section 149(6) of the Act, read with the Rules made thereunder, ‘independent director’ shall mean a non-executive director, other than a nominee director of the company:

1. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
2. (a) who is or was not a promoter of the company or its holding, subsidiary or associate company;  
  
(b) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
3. apart from receiving director's remuneration, has or had no material pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
4. none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year ;
5. who, neither himself nor any of his relatives —
  - (a) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (b) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
    - (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
    - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - (c) holds together with his relatives two per cent or more of the total voting power of the company; or
  - (d) is a Chief Executive or director , by whatever name called , of any non - profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company;
  - (e) is a material supplier , service provider or customer or a lessor or lessee of the company;
6. who is not less than 21 years of age.

➤ **Limits on number of Directorships:**

1. The number of Directorships of the proposed appointee and the present directors, should be within the prescribed limits of Section 165 of the Act, read with Rules made thereunder, including any statutory modification(s) and/or reenactment thereof and relevant provisions of the Listing Agreement, if any.
2. Pursuant to Clause 49(II)(B)(2) of the Listing Agreement, a person shall not serve as an independent director in more than seven (7) listed companies. Further, any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than 3(three) listed companies.

**4.3 Criteria for determining qualifications, positive attributes of persons who may be appointed in senior management**

The Company shall consider the balance of skills, experience, expertise appropriate to the requirements of the businesses of the Company, etc. of persons for appointment at Senior Management levels.

**4.4 Procedure of appointment:**

The appointment of the Directors, Manager Key Managerial Personnel and Senior Management Personnel shall be governed by this Policy alongwith the Articles of Association, relevant provisions of the Act, read with the Rules and Schedules forming part thereto and the provisions of the Listing Agreement.

**4.5 Tenure**

➤ **Independent Directors**

Pursuant to Clause 49 (II)(B)(3) of the Listing Agreement :

An independent director shall hold office for a term up to five consecutive years on the Board of a company and shall be eligible for reappointment for another term of up to five consecutive years on passing of a special resolution by the company.

Provided that a person who has already served as an independent director for five years or more in a company as on October 1, 2014 shall be eligible for appointment, on completion of his present term, for one more term of up to five years only.

Provided further that an independent director, who completes his or her above mentioned term shall be eligible for appointment as independent director in the company only after the expiration of three years of ceasing to be an independent director in the company.

➤ **Executive Directors**

Pursuant to Section 196 of the Act read with the Rules made thereunder, the re-appointment of the Managing Director, Whole-time Director or manager, shall be for a term not exceeding five (5) years at a time.

Provided that no re-appointment shall be made earlier than one year before the expiry of the term.

➤ **Retirement**

The Directors, Key Managerial Personnel and Senior Management Personnel 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, Key Managerial Personnel, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, in the interest of the Company.

**4.6 Succession Planning**

Pursuant to Clause 49 (II)(D) (6) of the Listing Agreement, the Board shall satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management. The Company recognizes that succession planning will ensure that investors do not suffer due to sudden or unplanned gaps in leadership. Succession Planning will therefore ensure that the Company is well-prepared for expansion, loss of any key talent, business continuity and that there is an appropriate balance of skills, experience and expertise on the Board and Senior Management.

**4.7 Removal**

The Committee may recommend with reasons recorded in writing, removal of a Director, Key Managerial Personnel or Senior Management Personnel subject to the provisions of this Policy, the Articles of Association, Companies Act, 2013, read with the Rules made thereunder, relevant clauses of the Listing Agreement, if any and any other applicable Law in force.

**4.8 Criteria for determining remuneration to Directors, Key Managerial Personnel and Senior Management Personnel.**

➤ **Remuneration to the Non-Executive Directors**

1. All Non-Executive Directors including the Independent Directors are entitled to receive remuneration by way of sitting fees for each meeting of the Board or Committee of the Board( Audit Committee & the Nomination and Remuneration Committee).The sitting fees is determined and revised by the Board and is subjected to the threshold limit prescribed in the Listing Agreement, Companies Act, 2013 and the Rules made thereunder, and any other applicable law(s) in force.
2. Further, they may receive such other remuneration as permissible under the provisions of the Companies Act, 2013 read with Rules made thereunder and/or the provisions of the Listing Agreement.
3. Clause 49 (II)(C) of the Listing Agreement provides that :

All fees / compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting. The shareholders' resolution shall specify the limits for the maximum number of stock options that can be granted to non-executive directors, in any financial year and in aggregate.

Provided that the requirement of obtaining prior approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Companies Act, 2013 for payment of sitting fees without approval of the Central Government.

➤ **Remuneration of the Key Managerial Personnel, Senior Management Personnel, Manager, and the Executive Directors including Whole-time Director and Managing Director.**

1. The remuneration of the Managing Director and Whole-time Director is determined by the Board of Directors, subject to the Listing Agreement, statutory limits laid in the Companies Act, 2013, read with the Rules and Schedules forming part thereto and the approval of the shareholders and/or Central Government, wherever required.
2. The remuneration shall be broadly divided into the following components:
  - I. **The Fixed Components-** This shall broadly encompass: Salary, allowances, perquisites, retirement benefits, etc.
  - II. **The Variable Components-** Performance based promotion and bonus shall be primarily included hereto.
3. The remuneration package of the employees will comprise of the aforesaid two components. However, the same shall also depend upon various factors including: their grade, industry bench mark, overall business performance.

Further, in determining the director's remuneration, their performance evaluation as duly carried out by the Board and/or Independent Directors, shall also be given due weightage.

4. Any annual increase in the remuneration of the Directors, Key Managerial Personnel and Senior Managerial Personnel shall be at the sole discretion of the Board, based on the recommendation of the Committee and subject to such statutory approvals, if any.

## **5. Disclosures**

- a. Pursuant to the provisions of section 178(5) of the Act read with the Rules made thereunder, the Company shall disclose this Policy in the Board's Report.
- b. Pursuant to Clause 49 of the Listing Agreement, various disclosures on the remuneration of directors shall be made in the section on the corporate governance of the Annual Report
- c. Further, the Company shall publish its criteria of making payments to non-executive directors in its Annual Report. Alternatively, this may be put up on the company's website and reference drawn thereto in the Annual Report.

## **6. Amendments in the Policy**

- a. The Nomination & Remuneration Committee shall review and amend this Policy as and when required, subject to the approval of the Board of Directors.
- b. Any subsequent amendment / modification in the listing agreement and /or other applicable laws in this regard shall automatically apply to this Policy.