



NOMINATION AND REMUNERATION POLICY

2021

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1. Preamble

The Nomination and Remuneration Policy (“NRC Policy”) of STCI Primary Dealer Limited (“the Company”) has been prepared in accordance with the requirements of the Companies Act, 2013, (“Act”) read along with the rules thereto, if any applicable. The Nomination and Remuneration Committee has been constituted in line with the requirements of the Companies Act, 2013 read along with the rules thereto (including any statutory modification(s) or re-enactment thereof for the time being in force) and as stipulated by the Master Directions of Reserve Bank of India (RBI) for NBFCs and Standalone Primary Dealers.

2. Objective

The objective of the Policy is to provide a framework for the constitution and remuneration of the Directors, Key Managerial Personnel (KMP) and Senior Management of the Company and also inter alia look into the following;

- i. To formulate the criteria for determining qualifications, competencies, and independence of Directors and guide the Board in relation to appointment and removal of a Director (executive/non-executive/independent) of the Company ;
- ii. To formulate the criteria for determining qualifications, competencies and guide the Board in relation to appointment and removal of Key Managerial Personnel (KMP) and Senior Management of the Company;
- iii. To determine the manner for effective evaluation of performance of Board and its Committees and individual Directors;
- iv. To recommend to the Board on the remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

3. Definitions

- a. **Board** means the Board of Directors of the Company.
- b. **Committee** means the Nomination and Remuneration Committee of the Company.
- c. **Director** means a Director appointed to the Board of the Company.
- d. **Executive Director** means a Whole Time Director as defined in clause (94) of section 2 of the Companies Act, 2013.
- e. **Independent Director** means a Director, other than a Managing Director or Whole-time Director or Nominee Director, who satisfies the criteria referred to in sub-section (6) of section 149 of Companies Act, 2013 and the Rules framed thereunder.

- f. Key Managerial Personnel (KMP)** means—
- (i) Chief Executive Officer or the Managing Director
 - (ii) Deputy Managing Director, if any
 - (iii) Whole-time Director, if any
 - (iv) Chief Financial Officer
 - (v) Company secretary
 - (vi) Such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board: and
 - (vii) Such other officer as may be prescribed.
- g. Managing Director** means a Director, who by virtue of the Articles of the Company or an agreement with the Company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the Company and includes a Director occupying the position of Managing Director, by whatever name called.
- h. Nominee Director** as defined in Section 149 (7) of the Companies Act, 2013 for the purpose of that Section, means a Director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.
- i. Non-Executive Director** means a director other than an Executive Director and Managing Director of the Company.
- j. Senior Management** means the personnel of the Company who are members of the core management team and shall include senior officers of the rank of Senior Vice President & above.
- k. Whole-Time Director** includes a Director in the whole-time employment of the Company.

Unless expressly mentioned, terms or reference to any words or expressions used herein shall have the same meanings respectively as defined/assigned under the Companies Act, 2013 or any Rules framed thereunder or to the applicable directions of RBI, as the case may be.

4. Nomination & Remuneration Committee

4.1. Composition of Committee

- i. Composition : The Committee shall consist of minimum three (3) or more Non-Executive Directors, majority of them being Independent Directors.

- ii. Quorum : Minimum two (2) members or one third of the Members of the Committee whichever is greater, provided minimum one Independent Director shall be present at the meeting to constitute a quorum for the Committee meeting.
- iii. Chairperson
 - a) Chairperson of the Committee shall be an Independent Director.
 - b) Chairperson of the Company, if any, may be appointed as a member of the Committee but shall not be a Chairperson of the Committee.
 - c) The members of the Committee may elect from amongst themselves a Chairperson for the meeting, who shall necessarily be an Independent Director.

4.2. Role of Committee

The role of the Committee inter alia shall be as under:

- i. To identify persons who are qualified to become Director(s) and recommend to the Board their appointment.
- ii. To consider and recommend to the Board the removal of Director(s).
- iii. To identify persons who may be appointed as Key Managerial Personnel and/or Senior Management and recommend their appointment to the Board.
- iv. To consider and recommend to the Board the removal of Key Managerial Personnel and/or Senior Management.
- v. To formulate a criteria for determining qualifications, competencies, positive attributes and Independence of a Director.
- vi. To recommend to the Board, a policy relating to the remuneration for the Directors, Key Managerial Personnel and Senior Management.
- vii. To specify the manner for effective evaluation of performance of Board, its Committees and individual directors to be carried out either by the Board or by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance and recommend to the Board appointment /removal of a Director based on his/her performance.
- viii. To ensure that level and composition of remuneration is reasonable and sufficient to attract and retain talent and that the relationship of remuneration to performance is clear and transparent and meets appropriate performance benchmarks.
- ix. To develop a succession plan for KMP and Senior Management and to regularly review the plan.
- x. To review the HR Policies (manual and employee handbook), compensation structure, PLVP structure and to align the same to the industry best practices.
- xi. Any other matter, as required to be performed under the regulatory requirements or by statute or as may be delegated by the Board of Directors.

4.3. Frequency of meetings

The Committee shall meet as frequently as required to perform its functions provided that there shall be at least two meetings in a financial year.

4.4. Conduct of Meetings

- i. A member of the Committee shall not be entitled to be present at a meeting when his/her own re-appointment is discussed at the meeting or when his/her performance is being evaluated.
- ii. The Committee may invite Senior Management of the Company and/or HR Consultants of the Company, as it considers appropriate, to be present at the meetings of the Committee.

4.5. Duties of Committee

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

- i. Ensuring that the Directors meet the “Fit and Proper” criteria at the time of their appointment / re-appointment.
- ii. Ensuring that the person considered for appointment/re-appointment as a Director is not disqualified to act as Director under applicable law.
- iii. Ensuring that on appointment to the Board, Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013.
- iv. Determining the appropriate size, diversity and composition of the Board.
- v. Setting a formal and transparent procedure for selecting Directors for appointment to the Board.
- vi. Ensuring that there is an appropriate induction & training programme in place for Directors.
- vii. Developing a succession plan for the Key Managerial Personnel and Senior Management and regularly reviewing the plan.
- viii. Specifying the manner for effective evaluation of performance of Board, its Committees and individual directors to be carried out either by the Board or by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- ix. Reviewing the performance of Key Managerial Personnel (KMP) and Senior Management in the context of the overall Company’s performance.
- x. Recommending to the Board any matters pertaining to the office of Director including but not limited to appointment, termination, etc.
- xi. Recommending refreshing the Board, as and when required.

- xii. To ensure that level and composition of remuneration is reasonable and sufficient to attract and retain talent and that the relationship of remuneration to performance is clear and transparent and meets appropriate performance benchmarks.
- xiii. To approve the remuneration of the Key Managerial Personnel and Senior Management of the Company by maintaining a balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company.
- xiv. To delegate any of its powers to one or more members of the Committee.
- xv. Any other matter, as required under the Act, regulation or as may be delegated by the Board of Directors.

5. Policy relating to appointment, removal & remuneration of Directors

5.1. Criteria to be considered while appointing Directors

The Nomination & Remuneration Committee shall ascertain the integrity, age, qualification, expertise and experience of the person identified for appointment as Director and recommend to the Board his/her appointment. The Committee shall have the discretion to decide whether qualification, expertise and experience possessed by the person are sufficient / satisfactory for the position.

The Committee shall consider, inter alia, the following indicative factors while determining the eligibility for appointment of Directors:

- i. The overall experience of the Directors in the relevant field/industry of their expertise;
- ii. Educational qualifications, professional achievements, including specialised qualifications in relevant areas like business / strategic management, finance, marketing, risk, compliance, legal, HR, etc;
- iii. Background of the Director and the field of his/her work/specialisation;
- iv. Any other relevant criteria pertaining to professional qualification, experience and/or as deemed fit by the Committee in line with various statutory and regulatory requirements.

Further, in determining the independence of the Director (applicable for appointment/re-appointment of Independent Directors), the Committee shall also be governed by the criteria of independence as specified in Section 149(6) and other applicable provisions, if any, of the Companies Act, 2013 and any other regulation, as may be applicable from time to time.

The Committee at the time of considering appointment of a Director shall ensure that the Board comprises of a judicious mix of Executive, Non-Executive and Independent Directors (minimum two as per the Act) satisfying the criteria as stipulated under the Act for the

Independent Directors, Directors liable to retire by rotation and Whole Time Director(s) (if any).

The Managing Director/Managing Director & CEO of the Holding Company viz STCI Finance Limited, if appointed to the Board of the Company, would be designated as Non-Executive Director. Further, a person in employment of Bank of India or a person appointed as Non-Executive Director in Bank of India or any of its associates/subsidiaries and if appointed to the Board of the Company, she/he would also be designated as Non-Executive Director.

Any person who has been proposed to be appointed as a Director on Board and who does not fall among these criteria mentioned above would be designated as Independent / Non-Executive Director based on

- i. whether the criteria of independence as specified in Section 149(6) and other applicable provisions, if any, of the Companies Act, 2013 is satisfied and
- ii. the existing constitution of the Board in terms of number of Non-Executive and Independent Directors at the time of appointment in order to maintain a judicious mix of Directors in line with the requirements of the Companies Act.

5.2. Fit and proper criteria

The Board of Directors play a key role in providing strategic direction and guidance to the Company and the importance of due diligence of Directors to ascertain suitability for the post by way of qualifications, expertise, track record, experience, integrity, etc. remains paramount for any financial institution. In order to ascertain the suitability of a person to be appointed/re-appointed as a Director, the following “Fit and Proper” criteria as laid out by various statutes and regulations, for the selection of the Director shall be followed;

- i. The Nomination and Remuneration Committee of the Company shall undertake a process of due diligence to determine the suitability of the person for appointment/re-appointment as a Director on the Board, based upon various criteria like qualification, experience, expertise, track record, integrity, etc.
- ii. The Nomination and Remuneration Committee shall obtain and scrutinize declaration and undertaking from the Director, proposed to be appointed, giving additional information on the Directors, in the prescribed format.
- iii. The Nomination and Remuneration Committee shall obtain an executed Deed of Covenant as prescribed by RBI.
- iv. The Nomination and Remuneration Committee shall obtain from Directors either annual declaration stating that the information already provided has not undergone any change and where there is any change, requisite details are furnished by them forthwith and an updated declaration and undertaking is obtained from the Directors in the prescribed format.

- v. The Nomination and Remuneration Committee shall obtain such other information or declarations from the existing /proposed Directors to decide on their appointment/re-appointment, as the case may be.

5.3. Term & Tenure

The Non-Executive Directors shall be liable to retire by rotation in accordance with the provisions of Section 152 (6)(c) of the Companies Act, 2013 which stipulates that in every Annual General Meeting at least one-third of directors shall be liable to retire from office on rotational basis and may be eligible for re-appointment subject to an ordinary resolution passed at the Annual General Meeting (“AGM”) of the Company. Independent Directors shall not be liable to retire by rotation and shall be appointment for fixed tenure/term as approved by the Board and the Shareholders and as stipulated under the Companies Act, 2013 and the rules framed thereto.

Subject to the Board’s decision and Shareholders’ resolution, an Independent Director shall be eligible to hold office for a term of up to five (5) years on the Board of the Company. Further, she/he shall be eligible for re-appointment, subject to fulfilment of criteria as laid down in various statutes and regulations, for a further term as may be decided and approved by the Directors of the Board and the Shareholders by passing of special resolution at the General Meeting of the Company. As stipulated in the Companies Act, 2013 and the rules framed thereto, the Independent Director shall be appointed for a maximum of two (2) consecutive terms.

The Company shall not appoint any individual as Managing Director who has attained the age of sixty (60) years. Provided that further re-appointment beyond the age of sixty (60) years, shall be at the discretion of the Board with the approval of Shareholders by passing a special resolution at the General Meeting based on the explanatory statement annexed to the notice for such motion indicating the justification for such appointment/re-appointment. Further, provided that the original contractual term of appointment shall prevail for the Managing Director of the Company who has already been appointed for a pre-determined tenure and subsequently attains the age of sixty (60) years in office.

The Company shall not appoint as Director (Non-Executive or Independent), any individual who has attained the age of seventy (70) years. Provided that further re-appointment beyond the age of seventy (70) years, shall be at the discretion of the Board with the approval of Shareholders by passing a resolution at the General Meeting based on the explanatory statement annexed to the notice for such motion indicating the justification for such appointment/re-appointment. Further, provided that the original contractual term of appointment shall prevail for any Director of the Company who has already been appointed for a pre-determined tenure and subsequently attains the age of seventy (70) years in office.

5.4. Appointment of Director

The invitation to join the Board shall be extended on behalf of the Board by the Managing Director. On receipt of requisite declarations and documents as required under the Companies Act, 2013 and the rules framed thereunder and RBI Guidelines, the said proposal shall be placed to the Nomination and Remuneration Committee for their consideration. The Nomination & Remuneration Committee on being satisfied on the evaluation of the “Fit & Proper Criteria” and other criteria as laid down under the Act and regulations, shall recommend the induction of Director(s) to the Board of the Company. The new Director shall be apprised of the working of the Company and various Codes of Conduct adopted by the Company in its functioning. The Director, on appointment, shall be required to execute Deed of Covenant, as per the regulatory requirements.

In case of appointment/re-appointment of a Director, the Shareholders shall be provided with a brief profile of the Director and nature of his expertise in specific functional areas as part of the explanatory statement as required to be appended to the notice of the General Meeting, when such appointment/re-appointment shall be taken up for approval at a General Meeting of the Shareholders.

5.5. Removal

On account of reasons for any disqualification mentioned in the Companies Act, 2013, rules and regulations made thereunder or under any other applicable Act, the Nomination and Remuneration Committee may recommend to the Board with reasons recorded in writing, the removal of a Director, subject to the provisions and compliance of the Act, rules and regulations

5.6. Remuneration

Non-Executive Directors/ Independent Directors shall be paid sitting fees for attending the Board and Committee Meetings. The sitting fees to be paid to Directors shall be determined by the Nomination and Remuneration Committee and recommended to the Board for approval. The sitting fees to be paid shall be within limits prescribed under the Companies Act, 2013 and the Rules made thereunder as also other applicable regulations, if any. A Non-Executive Director/Independent Director shall be entitled to remuneration/compensation which would include sitting fees, conveyance for attending the meeting and/or any other expenses incidental for participation in the Board and/or Committee meeting. Managing Director shall not be entitled to the payment of sitting fees for attending the Board/Committee Meeting.

The review of the sitting fees shall be done every two years by the Nomination and Remuneration Committee, pursuant to a proposal for review of sitting fees being placed

before the Nomination and Remuneration Committee by the Managing Director. The Nomination and Remuneration Committee shall review the sitting fees and the recommendation for revision, if any, shall be made by the Nomination and Remuneration Committee to the Board for their deliberations and approval, as per the provisions of the Companies Act, 2013 and the Rules made thereunder and any other applicable regulations.

In compliance with the Section 197, 198 of the Companies Act, the Directors' Remuneration shall be within the overall limits stipulated under Schedule V of the Act or any other applicable provisions of the Act or Rules made thereunder or any applicable directions of RBI, as the case may be.

6. Policy relating to appointment, removal & remuneration of Managing Director

6.1. Appointment

The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Managing Director and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the position.

In line with Section 197, 198 and other applicable sections, if any, of the Companies Act, 2013 and the rules framed thereto, the Managing Director shall be appointed for a tenure of five years or as approved by the Board and the Shareholders of the Company and such appointment may be renewed, subject to satisfactory performance, upon expiry of the tenure and subject to recommendation by the Nomination and Remuneration Committee and Board and subsequent approval of the Shareholders.

6.2. Term & Tenure

In line with Section 197, 198 and other applicable sections, if any, of the Companies Act, 2013 and the rules framed thereto, the Managing Director shall be appointed for a tenure of five years or as approved by the Board and the Shareholders of the Company and such appointment may be renewed, subject to satisfactory performance, upon expiry of the tenure and subject to recommendation by the Nomination and Remuneration Committee and Board and subsequent approval of the Shareholders.

6.3. Removal

On account of reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, or on the basis of the performance evaluation, the Committee may recommend to the Board with reasons recorded in writing, removal of the Managing Director, subject to the provisions and compliance of the said Act, rules and regulations.

6.4. Remuneration

The Managing Director shall be paid remuneration in line within the limits as prescribed under the Companies Act, 2013 and the rules framed thereto and subject to approval by the Board and the Shareholders of the Company. The revision in the remuneration of the Managing Director shall be in accordance with the Nomination & Remuneration Policy of the Company.

The remuneration of the Managing Director shall consist of various components as per the HR policy of the Company and may include but not limited to the following;

- a. **Fixed Pay** including Basic Pay, HRA, Special Allowance, Leave Travel Allowance, etc.
- b. **Retirement Benefits** like Provident Fund, Gratuity as per the payment of Gratuity Act
- c. **Other benefits** as per Company Policy including leave encashment, telephone charges reimbursement, meal vouchers, medical benefits (insurance by the Company against hospitalisation expenses, arising out of an accident or sickness or any other cause, under the Group Medclaim insurance and/or term insurance policy as per Company's rules), etc.
- d. **Other perquisites** like Company's car usage with personal driver (reimbursement of which will be as per Company rules), furnished residential accommodation in lieu of HRA.
- e. **Performance Linked Variable Pay (PLVP)** based on the performance of the Company and as per the PLVP Scheme of the Company. The percentage and the quantum of PLVP could vary from year to year as decided by the Board.

Tax payable on salary shall be borne by the Managing Director as per Income Tax Act, 1961 or any Rules framed thereunder.

The terms of service including remuneration of the Managing Director shall be reviewed by the Nomination and Remuneration Committee and recommended to the Board on an annual basis. The remuneration cycle shall be from 1st April to 31st March of every financial year. The revision in the remuneration payable to the Managing Director, if any, shall be from the beginning of the financial year i.e. 1st April of the year, unless otherwise required under any regulatory requirements.

The remuneration payable to the Managing Director shall be determined at the time of appointment of the Managing Director and shall be subject to an annual review after the approval of the audited annual accounts of the Company and after completion of the Statutory/CAG audit processes. Revision of remuneration of Managing Director, if any, would be decided by the Nomination and Remuneration Committee keeping in view the operational and financial performance of the Company. If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to the Managing Director in accordance with the provisions of Schedule V of the Act.

7. Policy relating to appointment, removal & remuneration of KMP and Senior Management

7.1. Appointment

The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as a KMP and as part of the Senior Management and recommend to the Board his/her appointment. The Committee shall have the discretion to decide whether integrity, qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.

7.2. Term & Tenure

The KMP and Senior Management of the Company shall be appointed by the Board in accordance with the statutory and regulatory requirements, subject to recommendation by the Committee and subsequent approval of the Board.

7.3. Removal

On account of reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, or on basis of the performance evaluation, the Committee may recommend to the Board with reasons recorded in writing, removal of a KMP and/or Senior Management of the Company, subject to the provisions and compliance of the said Act, Rules and Regulations.

7.4. Remuneration

Remuneration payable to a KMP and Senior Management of the Company shall be as per the HR Policy of the Company and in compliance with applicable regulatory requirements. Annual review in the existing remuneration structure of a KMP and Senior Management of the Company shall be made by the Managing Director in line with the HR policy.

8. Minutes of Committee meetings

Proceedings of all meetings shall be minuted and signed by the Chairperson of the Committee who presided over the meeting or the Chairperson of the subsequent meeting in which minutes are confirmed. Duly approved minutes of the Committee meetings shall be tabled at the subsequent Board and Committee meeting for noting and/or approval, as the case may be. Signed copies of the minutes shall subsequently be made available to all the Committee members for their records.

9. General Provisions

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, may be made if there are specific reasons to do so in exceptional circumstances.

If at any point of time a conflict of interpretation / information asymmetry arises between the Policy and any extant regulations, rules, guidelines, notification, clarifications, circulars, master circulars/directions issued by relevant authorities (“Regulatory Provisions”), then the interpretation of the Regulatory Provisions shall supersede and prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory provisions. The Board and/or its Committee reserve the right to alter, modify, add, delete or amend any of the provisions of the policy.

