



## **NOMINATION & REMUNERATION POLICY**

# Shriram Credit Company Limited

## Preamble

The Nomination and Remuneration Policy of **Shriram Credit Company Limited** (the “Company”) is designed to 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 policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for shareholders.

This Nomination and Remuneration Policy applies to Directors, Senior Management including its Key Managerial Personnel (KMP) of the Company.

## 1. OBJECTIVE

The Nomination and Remuneration Policy shall be in compliance with Section 178 of the Companies Act, 2013.

The Key Objectives of the Policy are:

- 1.1. To formulate criteria for determining qualifications, competency, positive attributes, and independence for appointment of Director (Executive/ Non- executive) and recommend to the Board policies relating to the remuneration of Directors, Key Managerial Personnel and other employees.
- 1.2. To formulate criteria for evaluation of performance of all the Directors on the Board.
- 1.3. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 1.4. 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.
- 1.5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.6. To devise a policy on Board diversity
- 1.7. To develop a succession plan for the Board and to regularly review the plan;

## 2. DEFINITIONS

- 2.1. **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 2.2. **Board** means Board of Directors of the Company.
- 2.3. **Directors** mean Directors of the Company.
- 2.4. **Key Managerial Personnel** means
  - 2.4.1. Chief Executive Officer or the Managing Director or the Manager;
  - 2.4.2. Whole-time director;
  - 2.4.3. Chief Financial Officer;
  - 2.4.4. Company Secretary; and
  - 2.4.5. such other officer as may be prescribed.
- 2.5. **Senior Management** means Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads (if any).

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## **3. APPLICABLE LAWS**

“**Applicable Laws**” includes Companies Act, 2013, Reserve Bank of India Act, 1934 and Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India to govern “Fit and proper” criteria for Directors

## **4. ROLE OF COMMITTEE**

### **4.1. Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee**

The Committee shall:

- 4.1.1.** Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- 4.1.2.** Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- 4.1.3.** Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- 4.1.4.** Ensure “fit and proper” status of existing/proposed Directors of the Company in accordance with Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India;
- 4.1.5.** Review the composition and size of the Board in order to ensure that the Board is comprised of members reflecting the proper expertise, skills, attributes and personal and professional backgrounds for service as a Director of the Company, as determined by the Committee;
- 4.1.6.** Review and recommend to the Board an appropriate course of action upon the resignation of current Board members, or any planned expansion of the Board, and review the qualifications, experience and fitness for service on the Board of any potential new members of the Board;
- 4.1.7.** Review whether to extend or continue the term of appointment of the Independent Directors (ID), on the basis of the report of performance evaluation of IDs;
- 4.1.8.** Delegate any of the above matters to any executive of the Company and / or any sub – Committee except those not allowed to be delegated under law.

### **4.2. Policy for appointment and removal of Director, KMP and Senior Management**

#### **4.2.1. Appointment criteria and qualifications**

- a)** The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b)** A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

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- c) The Company shall not appoint or continue the employment of any person as Managing Director who has attained the age of seventy five years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

## **4.2.2. Term / Tenure**

a) *Managing Director:*

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director 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.

b) *Independent Director:*

- 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 said 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 as an Independent Director 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 Act.

## **4.2.3. Evaluation**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

## **4.2.4. Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

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## **4.2.5. Retirement**

The Director, KMP 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, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

## **4.3. Policy relating to the Remuneration for the Managing Director, KMP and Senior Management Personnel**

### **4.3.1. General:**

- a) The remuneration / compensation / commission etc. to the Managing Director will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- b) The remuneration and commission to be paid to the Managing Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
- c) Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Managing Director.

### **4.3.2. Remuneration to Managing Director:**

- a) Fixed pay:

The Managing Director shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

- b) 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 in accordance with the provisions of Schedule V of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 including any statutory notifications or amendments.

- c) Provisions for excess remuneration:

If Managing Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act 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.

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## **4.3.3. Remuneration to Non- Executive / Independent Director:**

### **a) Remuneration / Commission:**

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

### **b) Sitting Fees:**

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 Rs. one lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time. The current fee structure for the independent directors per meeting is as follows:

- a. Board Meeting – Rs. 40,000
- b. Audit Committee Meeting- Rs. 20,000
- c. Any other Committee Meeting - Rs. 10,000

Beside the sitting fees, they are also entitled to reimbursement of expenses and payment of commission pursuant to Section 197 of the Companies Act, 2013 read with rules made thereunder.

The fees of the Non-executive Directors for attending meetings of Board of Directors and the Committees thereof may be modified from time to time only with the approval of the Board in due compliance of the provisions of Companies Act, 2013 as may be amended from time to time.

### **c) Commission:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

### **d) Stock Options:**

An Independent Director shall not be entitled to any stock option of the Company.

If any such director draws or receives, directly or indirectly, by way of fee/remuneration any such sums in excess of the limit as prescribed or without the prior sanction, where it is required, under the Applicable law such remuneration shall be refunded to the Company and until such sum is refunded, hold it in trust for the Company.

## **4.3.4. Remuneration to KMP/ Senior Management Personnel:**

Appointment of KMP & senior management personnel are subject to the approval of the NRC and the Board of Directors. Remuneration of KMP and other senior management personnel is decided by the Managing Director on periodical review.

1. **A fixed base salary** - set at a level aimed at attracting and retaining executives with professional and personal competence, showing good performance towards achieving Company goals.

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2. **Perquisites** – in the form of house rent allowance/ accommodation, reimbursement of medical expenses, conveyance, telephone, leave travel, etc.
3. **Retirement benefits** - contribution to PF, superannuation, gratuity, etc as per Company Rules.
4. **Motivation /Reward** - A performance appraisal is carried out annually and promotions/ increments/ rewards are decided by MD.
5. **Severance payments** - in accordance with terms of employment, and applicable statutory requirements, if any.

## **Other employees**

The remuneration of other employees is fixed from time to time as per the guiding principles outlined above and considering industry standards and cost of living. In addition to basic salary they are also provided perquisites and retirement benefits as per schemes of the Company and statutory requirements, where applicable. Policy of motivation/ reward/ severance payments is applicable to this category of personnel as in the case of those in the management cadre.

## **Disclosure of information**

Information on the total remuneration of members of the Company's Board of Directors, KMP/ senior management personnel may be disclosed in the Company's annual financial statements as per statutory requirements.

## **Powers of the Committee and Meetings of the Committee**

The Committee shall have inter-alia the following powers:

- Conduct studies or authorise studies of issues within the scope of the Committee with full access to all books, records, facilities and personnel of the Company;
- Retain or seek advice of consultants and experts for performance of their role under this Policy and the costs relating thereto shall be borne by the Company;
- Delegate its powers to any Member of the Committee or any KMP of the Company or form sub-committees to perform any of its functions or role under this Policy.

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## **Frequency of the Meetings of the Committee**

The Committee shall meet as and when required by the Board or by the Committee itself but it shall meet at least once in a year. Additional meetings may happen as the Committee deems it appropriate.

## **Application of the Nomination and Remuneration Policy**

This Remuneration Policy shall continue to guide all future employment of Directors, Key Managerial Personnel including company's Senior Management.

*(This policy has been recommended by the Audit Committee and approved by the Board of Directors in their meeting held on August 6, 2021)*

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