



Nomination and Remuneration Policy

Nomination & Remuneration Policy of Repco Micro Finance Limited

1. Introduction:

In terms of Section 178 of the Companies Act, 2013 (as amended from time to time), this policy on Nomination and Remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management of Repco Micro Finance Limited this policy is formulated.

This policy shall act as guideline on matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel and Senior Management.

2. Definitions:

In this policy unless the context otherwise requires,-

- a) Act: means the Companies Act 2013 and rules there under, as amended from time to time.
- b) Company: means “Repco Micro Finance Limited / RMFL”.
- c) Board: means “Board of Directors” of RMFL.
- d) Director: means Directors of the Company other than Independent directors and executive directors.
- e) Independent Director: means a Director referred to in Section 149 (6) of the Companies Act, 2013 and who has registered himself / herself with the Independent Directors’ data base portal and who has passed the online proficiency self-assessment test within one year from inclusion of his / her name in the data bank
- f) Committee: means “Nomination & Remuneration Committee” of the Company as constituted by the Board from time to time.
- g) Key Managerial Personnel or KMP: means Managing Director, Whole-time Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and such other persons who may be considered to be KMP under the Companies Act, 2013 or as may be identified by the Board.
- h) Personnel Administration Division or PAD: means the division responsible for recruitment
- i) Remuneration: means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961 (43 of 1961)

- j) Senior Management Personnel: means officers/personnel of the Company who are members of its Core Management Team excluding Board of Directors and including members of Management one level below the Managing Director /Executive Directors (including Chief Executive Officer/Manager, in case they are not part of the Board) and shall include Company Secretary and Chief Financial Officer.

The words and expressions used but not defined herein, but defined under the Companies Act, 2013 shall have the meaning assigned therein.

3. Key objectives of the Committee:

- a) To guide the Board in relation to the appointment and removal of Directors and Key Managerial Personnel and Senior Management.
- b) 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 of directors their appointment and removal.
- c) To specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
- d) To recommend to the Board remuneration payable to the Directors and Key Managerial Personnel and Senior Management Personnel;
- e) Consider any other matters as may be prescribed under the Act or as may be requested by the Board from time to time.

4. Guiding Principles

The Policy ensures that

The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, Key Managerial Personnel and Senior Management Personnel of the quality required to run the Company successfully.

Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and

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.

5. Constitution of the “Nomination & Remuneration Committee:

The Board has the power to constitute / reconstitute the Committee from time to time in order to make it consistent with Company’s policies and applicable statutory requirements. The Committee shall comprise at least three directors, all of whom shall be non-executive directors at least half shall be independent. Minimum two members shall constitute a quorum for the Committee Meeting.

Chairman of the Committee shall be an Independent Director. Chairperson of the Company may be appointed as a member of the committee but shall not chair the committee. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

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

Membership of the Committee shall be disclosed in the Annual Report. The terms of the Committee shall be continued unless terminated by the Board of Directors.

6. Frequency of meetings:

The meeting of the Committee shall be held at regular intervals as may be deemed fit and appropriate.

The Chairman of the Committee or in his/her absence any other member of the Committee authorized by him/her on his/her behalf shall attend the Annual General Meeting of the Company.

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

The Nomination & Remuneration Committee shall establish a mechanism to carry out its functions, assign any /all of its powers to Whole-time Director and/or PAD of the Company, as deemed necessary for proper and expeditious execution.

7. Committee member's interest:

A member / invitee of the Committee is not entitled to participate in the discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated.

8. Appointment and Removal of Director, Key Managerial Personnel & Senior Management:

Appointment Criteria & Qualification:

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.

The Company shall not appoint or continue the employment of any person as Managing Director / Whole-time Director who has attained the age of seventy years. Provided that

the term of the person holding this position may be extended beyond the age of seventy years with the approval of the 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.

The recruitment process for selection of KMP and Senior Management personnel commences after the approval of manpower requisitions by the appointing authority (depending upon the salary level).

Term / Tenure:

Managing Director / Whole-Time Director / Manager (Managerial Person):

The Company shall appoint/ re-appoint any person as its Managerial Person 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.

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.

Evaluation:

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

Removal

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

Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and as per the prevailing regulations 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 by following the due process.

9. Remuneration to Managerial Person, Key Managerial Personnel and Senior Management

General

a) The remuneration / compensation / commission etc. to Managerial Person, KMP and Senior Management Personnel will be determined by the Committee and recommend to the Board for approval. The remuneration payable to Managerial Person is subject to the approval of the Shareholders wherever required as the provisions of the Companies Act, 2013 and the rules made thereunder.

b) If in any financial year, the Company has no profits or its profits are inadequate the Company shall pay remuneration to its Managerial Person in accordance with provisions of Schedule V of the Companies Act, 2013.

c) Increase to the existing remuneration / compensation structure to Managerial Person may be recommended by the Committee to the Board, which shall be subject to the approval of the shareholders wherever required.

d) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief financial Officer, the Company Secretary and 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.

e) The composition of remuneration so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate the Key Managerial Personnel and Senior Management of the quality required to effectively run the Company and the same shall be reviewed annually. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks.

f) Remuneration to Non-Executive & Independent Directors.

(i) Sitting Fees

The Non-executive Directors and Independent Directors of the Company are entitled to sitting fees as determined by Board from time to time for attending Board / Committee meetings thereof in accordance with the provisions of Companies Act, 2013. Provided that the amount of such fees shall not exceed Rs. 1 lakh per meeting of the board or committee. Provided that for Independent Directors and women Directors the sitting fee shall not be less than the sitting fee payable to other Directors

g) Limit of Remuneration / Commission.

Remuneration / Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of net profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

h) Stock Options.

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

10. Policy on Board diversity:

The Board shall comprise of Directors having expertise in different areas / fields like Finance, Sales and Marketing, Banking, Engineering, Human Resource Management, Legal etc. or as may be considered appropriate. In designing the Board's composition, Board diversity may be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Board shall have at least one Board member who has accounting or related financial management expertise and at least one-woman director.

11. Minutes of Committee Meeting:

The Proceedings of all the "Nomination & Remuneration Committee" meetings must be minuted and signed by the Chairman of the Committee. The minutes of the Committee meetings will be tabled at the subsequent Board and Committee meetings.

12. Amendments to the Nomination and Remuneration Policy:

The Board on its own and/or as per the recommendations of Nomination and Remuneration Committee can amend this policy, as deemed fit from time to time.