



India SME Asset Reconstruction Company Limited
CIN: U67190MH2008PLC181062

Nomination and Remuneration Policy

1. Introduction

The Human Resources Remuneration and Development Committee (HRRDC) of the Board of Directors of India SME Asset Reconstruction Company Limited was constituted by the Board at the 5th meeting held on October 24, 2008.

In order to align and comply with the provisions of the Companies Act, 2013, the Board on June 24, 2014, redesignated the HRRDC as “Nomination and Remuneration Committee” and also reconstituted the same consistent with the provisions of Section 178 of the Companies Act, 2013.

The Nomination and Remuneration Committee and this policy shall be in compliance with Section 178 of the Companies Act, 2013 read alongwith applicable rules thereto.

In terms of Section 178 of the Companies Act, 2013 and applicable rules thereto, this policy has been formulated and recommended by the Nomination and Remuneration Committee at the meeting held on March 27, 2015 and approved / adopted by the Board of Directors on March 27, 2015.

2. Objective

The key objectives of the Committee would be:

- a) To guide the Board in relation to appointment and removal of directors, key managerial personnel and senior management.
- b) To evaluate the performance of every director and provide necessary report to the Board for its further evaluation.
- c) To recommend to the Board on remuneration payable to directors, key managerial personnel, senior management and other employees .

3. Definitions

- i. **Act** means the Companies Act, 2013 and Rules framed thereunder as amended from time to time.
- ii. **Board** means Board of Directors of the Company.
- iii. **Company** means India SME Asset Reconstruction Company Limited / ISARC
- iv. **Committee** means Nomination and Remuneration Committee as constituted / reconstituted by the Board from time to time.
- v. **Directors** mean Directors of the Company.
- vi. **Independent Directors** mean a Director referred to in section 149(6) of the Companies Act, 2013.
- vii. **Key Managerial Personnel** mean

- Managing Director and / or Chief Executive Officer or the Manager;
- Whole-time director;
- Chief Financial Officer;
- Company Secretary; and
- Such other officer as may be prescribed.

viii. **Senior Management** means personnel / employees of the company who are members of its core management team excluding Board of Directors. It would comprise all members of the management one level below the executive directors, including the functional / vertical heads.

4. Nomination and Remuneration Committee

i. Constitution

The Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors: Provided that the Chairperson of the Company (whether executive or non-executive) may be appointed as a member of this Committee but shall not chair the Committee.

ii. Frequency of Meetings

The meeting of the Committee shall be held at such regular intervals as may be required.

iii. Quorum

Minimum two (2) members present shall constitute quorum. The Committee members may attend the meeting physically or via permitted audio-visual mode, subject to the provisions of the Act / applicable rules.

iv. Term

The term of the Committee shall be continued unless terminated by the Board.

v. Voting

The matters at Committee meetings shall be decided by a majority of votes of members present and voting and any such decision shall be deemed to be decision of the Committee.

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

vi. Chairperson of Committee to be present at general meetings

The Chairperson of the Nomination and Remuneration Committee or in his absence, any member of the Committee authorised by him in this behalf shall attend the general meetings of the Company.

vii. Functions

- i. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal.

- ii. To carry out evaluation of every directors' performance and provide necessary report to the Board for its further evaluation.
- iii. To formulate the criteria for determining qualifications, positive attributes and independence of a director.
- iv. To recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees. The Nomination and Remuneration Committee shall, while formulating the said policy ensure that –
 - the level and compensation of remuneration is reasonable and sufficient to attract, retain and motivate directors 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.
- v. In addition to discharging the mandatory duties pursuant to the role and terms of reference prescribed in the Act / Rules, to undertake the following functions of the erstwhile HRRDC as decided by the Board in the 5th meeting held on October 24, 2008:-
 - Motivate employees and to promote excellence in their performance, recognize merits and achievements, retain talent in the Company and finally, to promote the feeling of belongingness.
 - Take all decisions relating to Human Resources, including pertaining to attraction and retention strategies for employees, employee development strategies, compensation (including salaries and salary adjustments, incentives/benefits), methodology for performance rating, etc., within the broad framework approved by the Board.

5. Applicability

This policy is applicable to:

- i. Directors
- ii. Key Managerial Personnel
- iii. Senior Management Personnel
- iv. Other employees of the company

6. Policy on appointment and removal of directors, key managerial personnel (KMP) and senior management

- i. **Appointment criteria and qualifications**

a. **Director:**

- i. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as director, and recommend to the Board his / her appointment. The person shall not be disqualified to act as Director under Section 164 of the Companies Act, 2013.
- ii. 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.
- iii. Appointment of independent directors is subject compliance of provisions of Section 149 of the Companies Act, 2013, read with schedule IV and rules thereunder.
- iv. The Company shall not appoint or continue the employment of any person as managing Director / Whole-time Director/ Executive 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 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.

b. **KMP/ Senior Management Personnel:**

- i. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as a KMP / Senior Management Personnel and recommend to the Board his / her appointment. The appointment shall be in compliance with the applicable statutory provisions.

ii. **Term / Tenure**

- a. Managing Director / Whole-time Director:- The company shall appoint or re-appoint any person as its Managing Director or Whole-time / 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:-
Subject to the provisions of the Act / applicable rules, 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.

If the appointment of an Independent Director is made for a term of less than consecutive five years, then such term (whether for five years or less) will be treated as one term.

Explanation - Any tenure of an Independent Director on the date of commencement of this Act viz. April 1, 2014 shall not be counted as a term.

iii. RBI Approval for any change in composition of the Board

The Company shall obtain the prior approval from Reserve Bank of India (RBI) for appointment of all types of Directors of the Company, in accordance with the RBI- certificate of registration dated March 5, 2009.

iv. Evaluation

The Committee shall carry out evaluation of performance of every Director at regular interval and provide necessary report to the Board for its further evaluation.

The performance evaluation of the independent directors shall be done by the Board of Directors, excluding the director being evaluated. The criteria for performance evaluation have been set out in **Annexure**.

The independent directors of the company shall hold at least one separate meeting in a year inter alia to review the performance of non-independent directors and the board as a whole accordance with the provisions of the Act / applicable rules.

The Managing Director & CEO shall perform the performance evaluation of the KMP and Senior Management Personnel at regular interval (yearly).

v. Disqualifications for appointment of Directors

❖ Pursuant to section 164 of the Companies Act, 2013, a person shall not be eligible for appointment as a director of a company if:

- He is of unsound mind and stands so declared by a competent court;
- He is an undischarged insolvent;
- He has applied to be adjudicated as an insolvent and his application is pending;
- He has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

- An order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;
- He has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- He has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or
- He has not complied with sub-section (3) of section 152.

❖ No person who is or has been a director of a company which:

- has not filed financial statements or annual returns for any continuous period of three financial years; or
- has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.

vi. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act / rules / relevant law , the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or senior management personnel subject to provisions and compliance of the said Act / rules / relevant law.

vii. Retirement

The KMP and Senior Management Personnel shall retire as per the applicable provisions of the Regulations and the HR Manual of the Company. The terms of appointment of retired employees on contract will be a part of the HR Manual of the Company.

The Board will have the discretion to retain the KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

7. Policy relating to the remuneration payable to directors, key managerial personnel and senior management personnel.

i. General

- a. The remuneration / compensation etc. to the Whole-time Director, Directors will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation etc. shall be in accordance with the statutory provisions of the Act and shall be subject to the prior / post approval of the shareholders of the Company and central government and such requisite approvals in accordance with the Act, wherever required.
- b. As regards the remuneration of KMP, senior management personnel and other employees, the same shall be in accordance with the existing HR Manual / policy of the Company.
- c. Organisational increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board.

ii. Remuneration to Managing /whole-time / Executive Director

a. Remuneration:-

The Whole-time Director shall be eligible for remuneration as may be approved by the shareholders of the company on the recommendation of the committee and the Board of Directors. The break-up of pay scale shall be decided and approved by the Board on the

recommendation of the committee. The remuneration shall be at all times be within the overall remuneration approved by the shareholders and central government, wherever required.

b. Inadequate profits:-

If, in any financial year, the company has no profits or its profits are inadequate, the company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if the company is not able to comply with the provisions of Schedule V, then with previous approval of the Central Government.

iii. Remuneration to Independent Director

Sitting fees to Independent Director:-The Independent Directors of the company shall be paid sitting fees for attending the meetings of Board, Board Committee(s), Independent Directors' Meeting or any other statutory compliance meeting. Provided that the amount of such fees shall not exceed Rupees Twenty Five Thousand per meeting of the Board or Board Committee or such lower amount as may be prescribed from time to time. The sitting fee payable will be subject to applicable tax deduction at source.

For participation in the Board and/or Board Committee meetings, the Independent Directors shall be entitled to reimbursement of travelling expenses as well as the stay arrangements, which will be provided by the Company.

Sitting fees to Nominee / Sponsor Director:- As per the decision taken by the Board in the 6th meeting held on March 21, 2009, the official nominee / sponsor directors of FIs / PSBs who are still in service of the institutions nominating them shall not be paid sitting fees. The Nominee / Sponsor Directors shall be entitled to reimbursement of travelling expenses as well as stay arrangements, which will be provided by the Company.

Quantum of sitting fees:-The quantum of sitting fees will be determined as per recommendation of the Nomination and Remuneration Committee and approved by the Board.

iv. Remuneration to KMP, Senior Management Personnel and other employees

The KMP, senior management personnel and other employees of the company shall be paid monthly remuneration as per the company's HR manual / policies. The break-up of the pay scale shall be as per the company's HR policies.

The Head-HR and/or by an officer of level (Vice President or above), will make organisational presentation before the committee which would have requisite details setting out the proposed incentive / increments. The committee shall peruse and recommend the same to Board for its approval.

This shall apply to all future / continuing employments. Any deviations to this clause (iv) shall be recorded with reasons in the committee and Board meeting minutes.

8. Details to be disclosed in Board's report

The relevant details of the policy as applicable shall be disclosed in the Board's report forming a part of the annual report of the Company.

9. Amendments to the Policy

In case of any change in the applicable Act / Rules / Circular issued by the Ministry of Corporate Affairs (MCA) from time to time are not consistent with this policy, then such guidelines issued by MCA shall supersede this policy at all times.

Annexure

**ENTIRE BOARD AND COMMITTEE EVALUATION
(By Independent Directors & the Board)**

Sr. No.	Criteria	Y/N	Remarks (if any)
Board Deliberation			
1	The Board Meeting agenda and related background papers provide appropriate information.		
2	Opportunity given to Board members to participate at the Board Meeting is adequate.		
3	The facility for video conferencing for conducting meetings is robust, when required.		
4	The amount of time spent on discussions on the issues before the Board is satisfactory.		
5	The minutes of the meetings adequately capture the decisions taken by the Board.		
6	The actions arising from Board Meetings are reviewed in subsequent Board Meetings.		
Board and Management Relations			
7	Guidance is provided by the Board on the Strategies and business plan presented by the Management.		
Board Committees and Quality			
8	Committees of the Board are pursuing their laid down objectives.		

Overall rating of Board and Committee performance (please tick appropriate column)	Satisfactory	Unsatisfactory
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Please give suggestions (if any) to improve Board's and Committee's performance	Name of the Director: _____
	Signature: _____
	Date: _____
a)	
b)	
c)	

CHAIRPERSON EVALUATION

(By Independent Directors, taking into account the feedback from Executive and Non-Executive Directors)

Sr. No.	Criteria	Y/N	Remarks (if any)
Managing Relationships			
1	Chairperson manages the deliberations of the Board effectively, according to the items laid down as also any other issues raised by the directors.		
2	Chairperson promotes effective participation of all Board members and encourages other members to contribute.		
3	Chairperson facilitates effective decision making and conclusion of deliberations.		

Overall rating of Chairperson's performance (please tick appropriate column)	Satisfactory	Unsatisfactory
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Please make Comments, if any, on the performance of the Chairperson	Name of the Director: _____
a)	Signature: _____
b)	Date: _____
c)	

DIRECTORS ASSESSMENT TOOL

(By Independent Directors & each Board Member other than being evaluated)

Name of the Director being evaluated:

Sr. No.	Criteria	Y/N	Remarks (if any)
Knowledge			
1	Responsible conduct in line with his/her position as a member of the Board.		
2	Displays understanding of the business of the Company and Key issues.		
Due Diligence and Participation			
3	His/her deliberations add value to the decision making		
4	Objectivity in discussions on matters placed before the Board.		

Overall rating of Director's performance (please tick appropriate column)	Satisfactory	Unsatisfactory
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Please make Comments, if any, on the performance of the Director	Name of the Director:
a)	Signature:
b)	Date:
c)	