

**NOMINATION & REMUNERATION POLICY**  
**(also referred as Compensation Policy)**

(Approved and adopted by the Board of Directors vide resolution by Circulation  
(No. 01/2023 effected on 30<sup>th</sup> March, 2023)

**Introduction**

The Peerless General Finance & investment Company Limited (the Company) is registered as a Residuary Non Banking Company with the Reserve Bank of India.

The Reserve Bank of India (RBI) has issued a circular dated 22.10.2021 on Revised Scale Based Regulatory (SBR) Framework for NBFCs. In terms of para 3.2.3 (h) of the said circular, in order to address issues arising out of excessive risk taking caused by misaligned compensation packages, NBFCs in the middle layer are required to put in place a Board approved compensation policy. The policy shall at the minimum include, (a) constitution of a Remuneration Committee, (b) principles for fixed/ variable pay structures, and (c) malus/ clawback provisions. Further, in terms of para 3.2.3 (i) it was also decided that the Board of NBFCs should delineate the role of various committees, including Nomination and Remuneration Committee (NRC).

Subsequent thereto, vide circular dated 29.04.2022, RBI has issued detailed guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management Personnel (SMP) in NBFCs.

The guidelines are intended only for providing broad guidance to NBFCs and their NRCs in formulating their compensation policy. While formulating the compensation policy, it has been ensured that all statutory mandates and the rules and directions issued under them are duly complied with.

The Company considers human resources as its invaluable asset which should be nurtured and groomed for organizational development.

This Policy also considers nomination and remuneration of Directors, Key Managerial Personnel and Senior Management as formulated by the Nomination & Remuneration Committee ("Committee"), under section 178 of the Companies Act, 2013.

This Policy lays down criteria and processes to ensure equitable remuneration to all Directors, Key Managerial Personnel (KMP) and other employees of the Company and to harmonize the aspirations of the human resources in line with the goals of the Company.

**Objectives of the Policy:**

The objectives of this policy are:

- To lay down criteria and terms & conditions with regard to identifying persons qualified to become Directors (Executive and Non-Executive) and Senior Management and Key Managerial positions
- To determine remuneration based on the Company's size, financial position, trends and practices on remuneration prevailing in peer companies and

industry as a whole.

- To carry out evaluation of the performance of Directors.
- To provide them rewards linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons commensurate with the requirements of the Company.

### **Effective Date**

This policy shall be effective from 1<sup>st</sup> April, 2023

### **Constitution of the Nomination and Remuneration Committee**

The Board of Directors, at the meeting held on 12<sup>th</sup> September, 2014 had constituted the Company's Nomination & Remuneration Committee in compliance with the requirements of Section 178 of the Companies Act, 2013 as also of the Reserve Bank of India.

### **Applicability**

The Policy is applicable to:

- Directors (both, Executive and Non-Executive)
- Key Managerial Personnel (KMP)
- Senior Management Personnel (SMP)

Appointment of and remuneration for directors are governed by the provisions of Sections 196 and 197 of the Companies Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Relevant provisions for KMP and SMP under the Companies Act are given below:

**Section 2(51) of the Companies Act, 2013** states as under:

"key managerial personnel", in relation to a company, means—

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer;
- (v) 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
- (vi) such other officer as may be prescribed;

**Section 178 of the Companies Act, 2013** inter-alia states as under:

The expression “senior management” means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive Directors, including the functional heads.

Committee to ensure ‘fit and proper’ criteria for proposed / existing directors, key managerial personnel and senior management and that there is no conflict of interest in their appointment.

### **General**

This Policy is divided in three parts: Part – A covers the matters to be dealt with and recommended by the Committee to the Board, Part – B covers the nomination, appointment and removal, and Part – C covers remuneration, perquisites etc.

The key features of this Company’s policy shall be included in the Board’s Report.

### **PART – A**

#### **MATTERS TO BE DEALT WITH AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE**

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director
- Identify persons who are qualified to become Directors, Key Managerial and Senior Management Personnel in accordance with the criteria laid down in this policy
- Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

Apart from the above, as and when directed by the Board, appointment to any other senior level positions will also be dealt with by the Committee.

### **PART – B**

#### **POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT**

Appointment criteria and qualifications:

1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management position and recommend to the Board his / her appointment.
2. A person should possess adequate qualification, expertise and experience, commensurate with the requirements of the position he / she is considered for appointment. The Committee has discretion to decide the adequacy of qualification, expertise and experience of a person for the concerned position.

3. As for qualifications and other attributes for being appointed as Director, both Executive and Non-Executive, the incumbent should :
  - a) at least be a Graduate ;
  - b) financially literate so as to read and understand the financial statements;
  - c) have held senior position in any organization of repute ;
  - d) be resident in India;
  - e) where he is proposed to be appointed as a Non-Executive Independent Director, satisfy the 'criteria of independence' as provided in the Companies Act, 2013 and possess other attributes as specified in the said Act.

The candidates for appointment as Executive and Non-Executive Directors shall generally be identified through the Company's internally established selection process. The Company may, nevertheless, take the assistance of external consultants to identify candidates, where necessary.

4. For the benefit of the Company, the Board may appoint or continue the appointment of any person who has attained the age of seventy years as Managing Director or Wholetime Director with the approval of shareholders by a special resolution in general meeting.

### **Terms of Appointment**

1. Managing Director/Whole-time Director:

The Board may appoint or re-appoint any person as its Managing Director or Executive Director for a term as may be determined by the Board but not exceeding five years at a time, as prescribed by law. No re-appointment shall be made earlier than one year before the expiry of term.

2. 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. Provisions of the Companies Act, 2013 relating to tenure, directorships limits, restriction on appointments, etc. shall apply.

3. Evaluation:

The Committee shall carry out evaluation of performance of every Director on yearly basis. This will be in addition to the evaluation of the Directors to be done by the Independent Directors as prescribed by law.

4. Removal:

The Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel, due to any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations.

5. Retirement:

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 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, subject to the provisions of the Companies Act, 2013 and the Memorandum and Articles of Association of the Company.

### **PART – C**

#### **POLICY RELATING TO THE REMUNERATION FOR THE MANAGING / WHOLE-TIME DIRECTORS, KMPs AND SENIOR MANAGEMENT PERSONNEL**

##### **General:**

1. The remuneration / compensation / commission etc. to the Managing/Wholetime Directors, KMPs and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval.
2. The remuneration and commission to be paid to the Managing/Wholetime Directors shall be in accordance with the percentage and conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act, 2013, and the rules made thereunder and shall be subject to the approval of the shareholders of the Company and Central Government, wherever required.
3. Revision 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/Whole-time Directors.
4. 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.

## **Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:**

### **1. Fixed pay:**

The Whole-time Director / KMP and Senior Management Personnel 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.

#### **a) Remuneration of Managing/Wholetime Directors**

Remuneration payable to Managing and Wholetime Directors shall be fixed by the Committee considering the knowledge, experience and other attributes of the incumbent. Such remuneration shall comprise salary, perquisites and commission, within the overall ceiling of 5% or 10% (or such other percentage as may be applicable to the Company under the provisions of the Companies Act from time to time) of the net profit of the company, subject to approval of the shareholders in General Meeting. The Commission payable shall be determined on a year-to-year basis depending on the profit of the Company for that year.

#### **b) Remuneration Payable to KMPs and Senior Management Personnel**

Remuneration of key managerial personnel, namely Chief Financial Officer and Company Secretary and those in Senior Management (senior management meaning all members of the management one level below the Executive Directors, including Functional Heads), will be determined in a manner similar to those for Executive Directors based on recommendation made by the top Management.

As for annual incentive payment to KMPs and those in Senior Management shall be placed to the Nomination & Remuneration Committee for approval

#### **c) Additional Monetary Benefit**

Additional monetary benefit may be provided to officials of the Company from the level of Vice President and above upto Managing Director, as may be approved from time to time.

Additional criteria to be considered, as prescribed by Reserve Bank of India, as given below:

A. Compensation for key managerial personnel and senior management needs to be reasonable, recognising all relevant factors including

adherence to statutory requirements and industry practices. The compensation packages may comprise of fixed and variable pay components aligned effectively with prudent risk taking, compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

- a. **Composition of Fixed Pay:** All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, perquisites etc may be treated as part of fixed pay, including monetary equivalent of benefits of non-monetary nature may also be part of fixed pay.
- b. **Composition of Variable Pay:** The variable pay may be in the form of share-linked instruments, or a mix of cash and share-linked instruments.
- c. **Proportion of Variable Pay:** The proportion of variable pay should be commensurate with the role and risk taking profile with a proper balance between cash and share linked payouts. The proportion of variable may be kept higher for higher levels of responsibility. Variable pay should be linked to performance and clearly defined during the goal setting exercise at the beginning of the performance measurement period.
- d. For KMPs and SMP in control and assurance functions like finance, audit, risk, compliance, proportion of fixed pay may be kept higher.
- e. The modalities of the compensation structure is left to the discretion of the management with appropriate recommendation to the Committee. In cases where the perceived risk is spread over a longer time horizon, some components of the variable pay may be deferred over the perceived time horizon.
- f. In certain cases, as the Committee may deem fit, joining / retention bonus may be considered, which may not form part of fixed or variable pay.

The deferred components may be subject to malus /clawback arrangements in the event of subdued or negative financial performance of the company and/or the relevant line of business or employee misconduct in any year. Representative set of situations may be identified by the NBFC, if thought fit for invoking the malus and clawback clauses that may be applicable on the variable pay and the period for application of malus and/or clawback.

## 2. **Minimum Remuneration:**

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 Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

**3. Provisions for excess remuneration:**

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 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.

4. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

**Remuneration to Non- Executive / Independent Director:**

**1. Remuneration/Commission:**

The remuneration / commission shall be fixed based on the conditions mentioned in the Articles of Association of the Company and the Companies Act, 2013 and the rules made thereunder.

Remuneration to the Non-Executive Directors has been prescribed by the Companies Act, 2013. The prescribed remuneration comprise fee for attending meetings of the Board and Committee and commission not exceeding 1% of the net profit of the company, subject to approval of the shareholders in General Meeting. The Commission payable shall be determined on a year-to-year basis depending on the profit of the Company for that year.

**2. Sitting Fees:**

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. The amount of such fees shall be such amount as may be fixed by the Board but not exceeding Rs. 1 lakh (Rupees one lakh) per meeting of the Board or Committee or as may be prescribed by the Central Government from time to time.

**3. Stock Options:**

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