

CHARTERED FINANCE & LEASING LIMITED

REMUNERATION POLICY

CHARTERED FINANCE & LEASING LIMITED

REMUNERATION POLICY

POLICY VERSION CONTROL:

VERSION NO.	APPROVED BY BOARD ON	REMARKS
1.0	27-Mar-2021	Policy adopted by the Board
2.0	07-Apr-2022	Policy amended in terms of applicable RBI guidelines

Contents

Background	3
Objectives and Purpose of the Policy	3
Remuneration framework	4
Review Frequency:	5
Change Control Record.....	Error! Bookmark not defined.

REMUNERATION POLICY

Background

The Company is required to formulate a Nomination and Remuneration Committee (NRC) in terms of 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 vide Notification No. RBI/DNBR/2016-17/45 dated September 1, 2016 (hereinafter referred to as the 'Master Directions'). In terms of the Master Directions, the NRC shall have the same powers, functions and duties as laid down in section 178 of the Companies Act, 2013 ('Act').

The Company is covered by the provisions of section 178 of the Act, and also pursuant to the Master Directions, the Company is required to have in place a policy relating to the remuneration for the directors, key managerial personnel and other employees ('Remuneration Policy' / 'Policy') in accordance with section 178(3) of the Act,.

Objectives and Purpose of the Policy

The objectives and purpose of the Policy are:

1. Selection criteria for directors, senior management personnel and key managerial personnel (*as defined in the Act or elsewhere in the Policy*) of the Company;
 - Senior management personnel has been defined in Section 178 of the Act as, officers/personnel of the company who are members of its core management team excluding board of directors; normally this would comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including all functional heads, chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer;
2. Determination of qualification, positive attributes and independence test for the directors to be appointed;
3. Setting out broad framework for fixing the remuneration for the Directors, Senior Management Personnel as well as Key Managerial Personnel (Chief Executive Officer, Chief Financial Officer and Company Secretary) ("KMP") and other employees;

Selection criteria for directors, senior management personnel and key managerial personnel of the Company –

The term "Director" would include all Nominee/Non-Independent Directors, Independent Directors, if any, and any Non-Executive/Executive Directors in the Company.

- 1.1 Selection of Director/s shall be in line with the Fit and Proper Policy of the Company, insofar as those criteria are not inconsistent with the nature of appointment and in accordance with the provisions of Articles of Association; the Committee is responsible for identification, shortlisting and recommendation of the candidature of person for the position of Managing Director or any other director to the Board of Directors or appointed in the senior management of the Company;
- 1.2 Nominee Directors shall be taken on board, as and when nominated by the investor/s to protect such investor/s interests and such appointments shall usually be governed by the investment/ subscription agreement/s the Company has/will have with such investor/s;

- 1.3 In the Company's context, Senior Management Personnel shall usually comprise the function and business heads, responsible for the overall management of the Company or the Directors responsible for handling the operations of the Company;
- 1.4 For any Senior Management Personnel recruitment, it is critical to identify the necessity for that role in the context of the Company. In order to validate the requirement –
 - 1.4.1 Job Description (JD) along with profile fitment characteristics from a personality, experience and qualification point of view shall be created;
 - 1.4.2 The recruitment process shall generally involve meetings with the human resources personnel, and/or identified members of the Committee and Board, on the basis of which the candidature will be finalised;
 - 1.4.3 The total remuneration to be offered to the new candidate as above, shall be placed before the Committee for their concurrence and recommendation to the Board. Thereafter, the offer shall be rolled out to the new candidate.
- 1.5 All the directors of the Company must possess the following skill/ expertise/competency required by the Company as identified by the Board for efficient functioning in the present business environment: -
 - Understanding of Business/Industry – Experience and knowledge of NBFCs and Banks
 - Strategy and Strategic Planning - Ability to think strategically and identify and critically assess strategic opportunities and threats and develop effective strategies in the context of the strategic objectives of the Company's policies and priorities.
 - Critical and Innovative thoughts – The ability to critically analyse the information and develop innovative approaches and solution to the problems.
 - Financial Understanding – Ability to analyse and understand the key financial statements, assess financial viability of the projects and efficient use of resources.
 - Market Understanding- Understanding of the markets.
 - Risk and Compliance oversight – Ability to identify risks to the organisation in a wide range of areas including legal and regulatory compliance, and monitor risk and compliance management frameworks.

Remuneration framework

Broad framework for fixing the remuneration policy for the Directors, key managerial personnel and senior management personnel:

- 3.1 The remuneration of Directors shall be established on the reasonability and sufficiency of level in order to attract, retain and motivate the Directors:
- 3.2 The sitting fees paid to the women directors, should not be less than the sitting fees paid to other directors.
- 3.3 Directors shall be reimbursed any travel or other expenses, incurred by them, for attending the Board and Committee meetings.
- 3.4 The remuneration paid to any of the directors, if any, shall be considered by the Committee taking into account various parameters included in this policy document and recommended to the Board for approval. This shall be further subject to the approval of the Members at the next General Meeting of the Company in consonance with the provisions of the Act and the rules made thereunder.

- 3.5 The remuneration paid to the directors, if any, shall be within the limits approved by the shareholders of the Company, which includes fixed salary, perquisites, variable pay in the form of commission, other benefits and allowances and certain retiral benefits.
- 3.6 Subject to the provisions under Applicable Laws, a Director who is in receipt of any commission from the Company and who is a managing or whole-time director of the Company shall not be disqualified from receiving any remuneration or commission from any holding or subsidiary company of the Company, subject to its disclosure by the Company in the Board's report;
- 3.7 For KMP and Senior Management Personnel, remuneration shall be based on the key responsibility areas identified and the achievement thereof. The increments shall usually be linked to their performance as well performance of the company. The total compensation shall comprise of fixed and variable components.
- 3.8 The Company's total compensation for KMP and Senior Management Personnel may comprise of:
- fixed compensation
 - variable compensation in the form of annual performance bonus
 - Gratuity and contribution to provident fund
 - They are eligible for Mediclaim, personal accident insurance and life insurance coverage as per policy of the company in addition to the CTC.
 - such other benefits/perquisites as may be periodically determined relevant by the HR policies of the Company.
- 3.9 Fixed compensation will be determined based on size and scope of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation will include basic salary, HRA, special allowance, contribution to provident fund, gratuity etc.
- 3.10 The KMP and Senior Management Personnel may also be eligible for Long Term Incentive Plan in the form of stock options or any other equivalent instrument.
- 3.11 Other employees shall be paid remuneration as per the policies/ general practice of the Company.

Review Frequency:

Unless otherwise required or if the situation so warrants, this document shall be reviewed annually, and any amendment or modification therein shall be recommended by the Committee and shall be approved by the Board of Directors of the Company.