

CHARTERED FINANCE & LEASING
LTD. (CFL)

(“NBFC/ B-13.02480”)

SUMMARY OF POLICY

Particular	Details
Policy Name	Nomination and Remuneration Policy
Version	V2
Latest Approval/Review Date	20 th May, 2025
Review Cycle	Annually
Approver	Board of Directors of Chartered Finance & Leasing Ltd

VERSION HISTORY

Version	Approval	Version Description	Regulatory Reference
I	Board Meeting dated 07 th April, 2022	2022	RBI Regulation
II	Board Meeting dated 20 th May, 2025	2025	RBI Regulation

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1. Introduction

In terms of Section 178 of the Companies Act, 2013 and the Master Directions of the RBI applicable as the Company and in order to establish best industry practices & good governance structure. Further, RBI issued the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 which is applicable with effect from October 19, 2023, which acts in supersession of the Non-Banking Financial Company –Non-Systemically Important Non-Deposit taking (Reserve Bank) Directions, 2016 and Non-Banking Financial Company–Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. Accordingly, this Policy has been framed, considering RBI Guidelines and the issued amendments, which will be applicable to Middle Layer NBFCs issued by the Reserve Bank of India and rules made thereunder, entered into, by the Company, as amended from time to time, this policy has been formulated by the Nomination and Remuneration Committee (“NRC Committee” or “Committee”) of the Company and approved by the Board of Directors.

This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel and Senior Management.

2. Objective of Policy

The policy is framed with the objective(s):

- a) That the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.
- b) That the relationship of remuneration to performance is clear and meets appropriate performance benchmark.
- c) 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.

3. Role of Committee:

The role of the Committee shall be:

- d) To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- e) Formulation of criteria for evaluation of Independent Directors and the Board;
- f) Identifying 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 their appointment and removal;

- g) To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- h) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board;
- i) To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management;
- j) 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;
- k) Devise a policy on Board diversity;
- l) Develop a succession plan for the Board and to regularly review the plan;
- m) Carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.
- n) Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.

4. Definition:

- a) **Act** means the Companies Act, 2013 and rules made thereunder, as amended from time to time.
- b) **Board** means Board of Directors of the Company.
- c) **Company** means "Chartered Finance & Leasing Limited"
- d) **Directors** mean Directors of the Company
- e) **Key Managerial Personnel** means
 - Chief Executive Officer or Managing Director or the Manager;
 - Whole-time director;
 - Chief Financial Officer
 - Company Secretary; and
 - Such other officer(s) as may be prescribed
- f) **Committee** means Nomination and Remuneration Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and rules made thereunder.
- g) **Senior Management** shall mean
 1. Director-
 2. Chief Compliance Officer
 3. Chief Risk Officer
- h) **Ministry** means the Ministry of Corporate Affairs ("MCA").
- i) **Independent Director** means a director referred to in Section 149 (6) of the Companies Act, 2013.
- j) **Policy** means Nomination and Remuneration policy.
- k) **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.

Structure of Remuneration for Key Managerial Personnel (KMP) and Senior Management

The remuneration of Key Managerial Personnel (KMP) and Senior Management Personnel (SMP) shall consist of fixed and variable components, determined in accordance with the individual's terms of appointment, role, responsibilities, and performance.

a. Fixed Pay:

Fixed pay comprises base salary and fixed allowances and is structured to provide a stable income reflective of the individual's skills, experience, and the scope of their responsibilities.

b. Variable Pay:

Variable pay is performance-linked and may be paid in the form of incentives, bonuses, or any other form of variable compensation. The quantum and structure of variable pay shall be determined by the Nomination and Remuneration Committee on a case-by-case basis, subject to performance evaluation and applicable regulatory guidelines.

- l) Regulation refers to and comprises of Companies Act, 2013,** The Companies (Meeting of Board and its Powers) Rules, 2014, The Companies (Appointment and Qualification of Directors) Rules, 2014, The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and such other rules and provisions as applicable to the matters dealt in by this Policy.

5. Interpretation:

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013 and/or any other Rule(s) made thereunder as amended from time to time.

6. Applicability:

This Policy is applicable to:

- Directors viz. Executive, Non-Executive and Independent;
- Key Managerial Personnel;
- Senior Management Personnel;

This Remuneration Policy shall also apply to all future / continuing employment/ engagement(s) with the Company. In other respects, the Remuneration Policy shall be of guidance for the Board. Any departure from the policy shall be recorded and reasoned in the Committee and Board meeting Minutes.

7. Composition of Committee, Chairman, and Secretary:

The Committee shall consist of at least 3 members and out of which not less than one-half of the members of the Committee shall be Non-Executive Directors out of which not less than one-half shall be Independent Directors.

8. Committee Members Interests:

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated;
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

9. Voting:

- a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee;
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. Appointment and Removal of Director, KMP and Senior Management:

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 are sufficient / satisfactory for the concerned position.
- c) The Company shall not appoint or continue the employment of any person as Managing Director/ Managerial Officer who has attained the age of (75) seventy-Five years. Provided that the term of the person holding this position may be extended beyond the age of seventy-Five 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-Five years.
- d) The Company shall take a prior approval of the Members by way of a Special Resolution for appointment / continuation of appointment of any Non- Executive Director who has attained the age of 75 (Seventy Five) years.
- e) Appointment of Independent Directors is subject to compliance of provisions of Section 149 of the Act, read with Schedule IV and Rules thereunder.

11. Term/Tenure:

1. Managing Director/Whole-time Director/ Managerial Officer)/ Independent Director:

The Term / Tenure of the Directors shall be governed as per provisions of the Act, and rules made thereunder as amended from time to time

Independent Director:

- a) An Independent Director may 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.
- b) 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.
- c) 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 (7) 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.

12. Evaluation:

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

Criteria for evaluation of Independent Director and the Board:

Following are the Criteria for evaluation of performance of Independent Directors and the Board:

- i. **Executive Director:** The Executive Directors shall be evaluated on the basis of targets / Criteria given to executive Directors by the Board from time to time.
- ii. **Non-Executive Director:** The Non-Executive Directors shall be evaluated on the basis of the following criteria i.e.

Whether they:

- a) act objectively and constructively while exercising their duties;
 - b) exercise their responsibilities in a bona fide manner in the interest of the Company;
 - c) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
 - d) do not abuse their position to the detriment of the Company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
 - e) refrain from any action that would lead to loss of his independence;
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- f) inform the Board immediately when they lose their independence;
- g) assist the Company in implementing the best corporate governance practices;
- h) strive to attend all meetings of the Board of Directors and the Committees;
- i) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- j) strive to attend the general meetings of the Company;
- k) keep themselves well informed about the Company and the external environment in which it operates;
- l) do not to unfairly obstruct the functioning of an otherwise proper Board or Committee of the Board;
- m) Moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest;
- n) Abide by Company's Memorandum and Articles of Association, Company's policies and procedures including code of conduct, insider trading guidelines etc.

Removal:

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

Retirement:

The Director, KMP and Senior Management 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 in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company subject to compliance of relevant provisions of the Act and the Rules, wherever applicable.

13. Matters relating to the remuneration, perquisites for the Managing Director, KMP and Senior Management Personnel

- i. The remuneration/compensation/ profit-linked commission etc. to the Whole Time Director, Director and Independent Directors will be determined by the Committee and recommended to the Board for approval.
- ii. Increments to the existing remuneration/ compensation structure shall be approved by the Committee.

14. Remuneration to the Managing Director/Executive Director

The Managing 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 the pay scale, performance bonus, 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 shall be within the overall remuneration approved by the shareholders.

14.1 Remuneration to Non- Executive/ Independent Director:

Remuneration / Profit Linked Commission:

The fixed Remuneration / profit linked Commission shall be in accordance with the statutory provisions of the Companies Act, 2013 and the rules made thereunder for the time being in force.

Sitting Fees:

The Non-Executive Independent Director may receive remuneration by way of fees for attending meetings of the Board or its Committees. The amount of such sitting fees shall not exceed the maximum limit prescribed under the Companies Act, 2013, or such amount as may be notified by the Central Government from time to time. The quantum of sitting fees shall be determined and approved by the Nomination and Remuneration Committee and will be payable accordingly.

Stock Options:

Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company.

14.2 Remuneration to Senior Management Personnel:

The Senior Management Personnel of the Company shall be paid monthly remuneration as per their terms of appointment as may be approved by the Committee. The break-up of the pay scale and quantum of perquisites including employer's contribution to P.F, pension scheme, medical expenses, club fees etc. as per the Company's HR policies.

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 / Executive Director in accordance with the provisions of Section 197 of the Act and Schedule V to the Act.

Provisions for excess remuneration: If any Managerial Person 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.

15. Amendments to the policy

The Board of Directors on its own and/ or as per the recommendations of Committee can amend this policy, as and when deemed fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall

stand amended accordingly from the effective date as laid down under such amendment(s),clarification(s), circular(s) etc.