



NOMINATION AND REMUNERATION POLICY

OF

NATIONAL COLLATERAL MANAGEMENT SERVICES LIMITED

Introduction:

This Nomination and Remuneration Policy of National Collateral Management Services Limited is being formulated in compliance with Section 178 of the Companies Act, 2013 as amended from time to time. This policy on nomination and remuneration of Directors and Key Managerial Personnel has been formulated by the Nomination and Remuneration Committee (“NRC or the Committee”) and has been approved by the Board of Directors.

Definitions:

“**Act**” means the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time

“**Board**” means Board of Directors of the Company;

“**Company**” means National Collateral Management Services Limited or NCML;

“**Directors**” means Directors of the Company;

“**Independent Director**” means a Director referred to in Section 149(6) of the Act and rules ;

“**Key Managerial Personnel**” means:

- i. Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director;
- ii. Chief Financial Officer;
- iii. Company Secretary; and
- iv. Any other person as defined under the Companies Act, 2013 from time to time..

“**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;

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the same meaning assigned to them therein.

Objective:

The objective of the policy is to ensure 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;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

- Remuneration to Directors and Key Managerial Personnel 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.

Role and Responsibilities of Committee:

- To formulate criteria for determining qualifications, positive attributes and independence of a Director as set out in Section 149 of the Act and other applicable laws
- To formulate criteria for evaluation of Independent Directors and the Board.
- To carry out evaluation of Director's performance.
- To recommend to the Board the appointment and removal of Directors.
- To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel.
- To devise a policy on Board diversity, composition, size.
- To 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.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.
- Employee Stock Option Scheme:
 - a) Formulation of ESOP plans and decide on future grants;
 - b) Formulation of terms and conditions of the ESOP scheme;
 - c) Performance conditions attached to any ESOP Plan;
 - d) Any other matter which may be relevant for the administration of ESOP schemes from time to time.

Appointment and Removal of Director and Key Managerial Personnel

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and KMP 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 authority to decide whether

qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.

- c) The Company shall not appoint or continue the employment of any person as 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 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.
- d) KMP of the Company shall not hold office as KMP in more than one Company except in its subsidiary companies at the same time. However, KMP can be appointed as a Director in any Company, with the permission of the Board of Directors of the Company.

Term/ Tenure

a) **Managing Director/Whole-time Director:**

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or 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:**

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 of upto maximum of 5 years each, 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.

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 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 or such other number as may be prescribed under the Act.

Evaluation

1. Independent Directors will, at their meeting, review the performance of the Chairperson of the Board, the Non-Independent Directors and the Board;
2. Nomination and Remuneration Committee/the Board will evaluate the performance of the Board, the Committees yearly or at such intervals as may be considered necessary.
3. The Board will evaluate the performance of the Independent Directors, which shall include-
 - (a) performance of the Directors; and
 - (b) fulfillment of the independence criteria as specified in these regulations and their independence from the management

Provided that in the above evaluation, the Directors who are subject to evaluation shall not participate

Some of the assessment criteria, that should be considered by the Board, Nomination and Remuneration Committee, Independent Directors or by any independent external agency for evaluation of the performance of Board, its committees and individual directors, are mentioned in the Annexure I.

Removal

The Committee may recommend with reasons recorded in writing, removal of a Director, KMP subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

Retirement

The Director and KMP 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 and KMP in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

Policy for Remuneration to Directors/ KMP

- 1) **Remuneration to Managing Director / Whole-time Directors:**
 - a) The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Directors, etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the Members of the Company.

- b) The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.

2) Remuneration to Non- Executive / Independent Directors:

- a) The Non-Executive / Independent Directors may receive sitting fees and such other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- b) All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.
- c) An Independent Director shall not be eligible to get Stock Options and also shall not be eligible to participate in any share-based payment schemes of the Company.
- d) Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (b) above if the following conditions are satisfied:
 - i) The Services are rendered by such Director in his capacity as the professional; and
 - ii) In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.

3) Remuneration to Key Managerial Personnel:

- a) The remuneration to Key Managerial Personnel shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.
- b) The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from to time.

- c) The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel, to be decided annually or at such intervals as may be considered appropriate.

Implementation

The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as may be considered appropriate. The Company shall disclose the composition of NRC in its Annual Report. The Committee may delegate any of its powers to one or more of its members.

This Policy shall apply to all future employment of Key Managerial Personnel and Board of Directors. Any or all the provisions of this Policy would be subject to the revision/ amendment in the Companies Act, 2013, related rules and regulations, guidelines on the subject as may be notified from time to time. Any such amendment shall automatically have the effect of amending this Policy without the need of any approval by the Nomination and Remuneration Committee and/ or the Board of Directors.

Amendment:

Any change in the Policy shall be approved by the Board of Directors. The Board of Directors shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment / modification in any other laws in this regard shall automatically apply to this Policy.

Annexure I

I. Assessment Criteria for performance evaluation of Board

Some of the specific issues and questions that should be considered in a performance evaluation of Board are set out below:

Assessment Criteria	Rating	Comments
Size, structure, diversity, experience, skills and expertise of the Board		
Willingness to spend time to discuss the matters put up before the Board for discussion		
Development of Strategy and Business plans at appropriate time and check its effectiveness		
Implementation of policies and procedure according to changing business practices and market conditions		
Proper number of committees as required by legislation and guidelines		
Setting up of Company's strategic aims and financial goals		
Guidance to drive financial and business performance of the Company and periodic review of the same		
Strategic and business risk evaluation, assessment and timely action		
There exists a system whereby Board's direction/feedback are communicated to the Management and formal report on Action taken on the decisions are communicated by the Management to the Board.		
Corporate Governance standards adopted by the Board and its implementation		
Understanding roles and responsibilities of Directors		
Code of conduct and Ethics and adherence thereto		
Independence of Board functioning		
Adequacy of number and length of meetings, commensurate with the size and nature of Company's business		

Rating Scale	
5	Strongly Agree
4	Fairly Agree
3	Agree
2	Disagree
1	Strongly Disagree

II. Assessment Criteria for performance evaluation of Committees:

For evaluating the performance of each committee, the Board of Directors shall pay regards to the following aspects as set out below:

Assessment Criteria	Rating	Comments
Appropriateness of the responsibilities delegated to the committee		
Committee meetings are conducted in a manner that ensures timely resolution of issues and encourages open communication as well as meaningful participation.		
The Committee of the Board are appropriately constituted. The composition of the committee is in compliance with the legal requirement and the frequency of the Committee meetings is adequate		
Adequacy of terms of reference stated by the Board for the Committee and the role played by the committee according to such terms of reference		
Effectiveness of suggestions and recommendation made to the Board		
A proper system of recording of the minutes exists for proceeding of the Committee and its confirmation by the Committee. The reporting by each of the Committees to the Board is sufficient.		

Rating Scale	
5	Strongly Agree
4	Fairly Agree
3	Agree
2	Disagree
1	Strongly Disagree

III. Performance Evaluation of Board Members (Peer Review Evaluation)

Some of the specific issues and questions that should be considered in a performance evaluation of each Board member are set out below:

Assessment Criteria	Rating	Comments
Attendance and Participation. Pro-active and positive approach with regard to Board particularly the arrangements for management of risk and the steps needed to meet challenges from the competition		
Maintaining confidentiality and acting in good faith and in the interest of the Company as a whole.		
Understands duties, responsibilities, qualifications, disqualifications and liabilities as a director.		
Maintaining relationships of mutual trust and respect with Board members		
Capacity to effectively examine financial and other information on operations of the Company and the ability to make positive contribution thereon.		

Staying abreast of issues, trends and risks (including opportunities and competitive factors) affecting the company, and using this information to assess and guide the company's performance proactively		
Prepares in advance for board and committee meetings.		

Rating Scale	
5	Strongly Agree
4	Fairly Agree
3	Agree
2	Disagree
1	Strongly Disagree

IV. Assessment Criteria for performance evaluation of Chairperson

The following criteria may be considered while evaluating the performance of the Chairperson:

- Relationship and Communication within the Board
- Leadership quality
- Promoting constructive debate and discussion in the meeting
- Effectiveness of communication with the shareholders and other stakeholders
- Promoting effective participation of all Board members in decision making process
- Promoting shareholders confidence in the Board
- Ensuring ease of raising issue and concern by the Board Members

REVIEW

The performance evaluation process of the Board will be reviewed annually by the "Nomination and Remuneration Committee. The Board may amend the process, if required, to ascertain its appropriateness as per the needs of the Company.

DISCLOSURE

The Company will disclose details of its Board Performance Evaluation processes in its Board's Report.