



**Nomination and Remuneration Policy for Directors and Key Managerial Personnel**

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**Asset Reconstruction  
Company (India) Ltd.**

**Arcil Policy**

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## **NOMINATION AND REMUNERATION POLICY FOR DIRECTORS AND KEY MANAGERIAL PERSONNEL**

### **I. PREFACE:**

The Nomination and Remuneration Policy ("the Policy") is being formulated in compliance with Section 178 of the Companies Act, 2013 and read along with the applicable rules.

The Policy is designed to attract, motivate and retain best human talent in a competitive market. The Policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for shareholders. The Policy applies to the Company's Board of Directors and members of the Senior Management including Key Managerial Personnel.

### **II. DEFINITIONS:**

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

**"Board"** means Board of Directors of the Company.

**"Company"** shall mean Asset Reconstruction Company (India) Limited (Arcil).

**"Directors"** means Directors of the Company.

**"Independent Director"** means an independent director referred to in sub-section (6) of Section 149 of the Act.

**"Key Managerial Personnel"** means:

- i. Chief Executive Officer or the Managing Director or the Manager;
- ii. Whole-time Director;
- iii. Company Secretary;
- iv. Chief Financial Officer and such other officer as may be prescribed by the Act from time to time.

**“Nomination & Remuneration Committee”** means the Committee of the Board of Directors of Arcil constituted pursuant to the provisions of Section 178 of the Act.

**“Remuneration”** means any money or its equivalent given or passed to any Director / whole-time employee of the Company for services rendered by him and includes perquisites as defined under the Income-Tax Act, 1961.

**“Senior Management”** means personnel of the Company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors.

### **III. OBJECTIVE:**

The objective of the Policy is to:

- have a Board of an effective composition, size, competence, qualification and commitment to adequately discharge its responsibilities and duties;
- have coherent remuneration policies and practices to attract and retain directors and executives who will create value for the shareholders;
- adhere /adopt to policies and best practices as prevalent in the market place.
- 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.

### **IV. CONSTITUTION OF NOMINATION AND REMUNERATION COMMITTEE:**

#### **“Membership”**

- The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent;
- Minimum two (2) members shall constitute a quorum of the Committee;
- Membership of the Committee shall be disclosed in the Annual Report;
- Term of the Committee shall be continued unless terminated by the Board of Directors.

#### **“Chairman”**

- Chairman of the Committee shall be an Independent Director;
- Chairman of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee;
- In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman;

- Chairman of the Nomination and Remuneration Committee or in his absence, any other member of the Committee authorized by him in this behalf shall attend the General Meeting of the Company and answer the shareholders' queries, if any.

#### **"Frequency of Meetings"**

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

#### **"Voting"**

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

#### **"Minutes of Committee Meeting"**

- Proceedings of all meetings must be recorded as minutes and signed by the Chairman of the Committee as stipulated under the Act. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

### **V. PROCEDURE FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

#### **"Appointment"**

- i. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel (KMP) or at Senior Management level and recommend to the Board his / her appointment.
- ii. Any person to be appointed as a Director, other than Independent Director and Managing Director, shall necessarily be nominated by the Sponsors of the Company and / or such shareholder/s who, as per the Articles of Association of the Company is / are empowered to nominate Director/s on the Board.
- iii. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee will have the authority to decide whether qualification, expertise and

experience possessed by a person are sufficient / satisfactory for the position.

- iv. The Company shall not appoint or continue the employment of any person as Managing Director/ Whole-time Director who has attained the age of seventy years.

#### **“Removal”**

- i. Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, or material breach of any of the Policies of the Company, the Committee may recommend, to the Board with reasons recorded in writing, removal of any Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

### **VI. TERM / TENURE**

#### **i. Managing Director/Whole-time Director:**

The Company shall appoint or re-appoint any person as its Managing Director or Whole-time 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. The re-appointment of Managing Director is subject to a maximum period of 15 years continuously.

#### **ii. Independent Director:**

An Independent Director shall hold office for a term up to three consecutive years on the Board of the Company and will be eligible for re-appointment subject to shareholder approval and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms of up to three years each. The total tenure of Independent Director shall be 6 (six) years from the date of appointment of such Director.

#### **iii. Retirement:**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policies 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.

## **VII. POLICY FOR REMUNERATION TO DIRECTORS, KMP AND SENIOR MANAGEMENT PERSONNEL**

### **i. Remuneration to Managing Director / Whole-time Directors:**

- The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Directors 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 Board of Directors.
- 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.

### **ii. Remuneration to Non- Executive / Independent Directors:**

- 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 subject to the limits set in the Companies Act, 2013.
- 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.
- 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.
- 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 mentioned 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.
- The Nomination and Remuneration Committee of the Company, while administering the Employee Stock Option/ Purchase Schemes, shall determine the stock options and other share based payments to be made to Directors (other than Independent Directors).

**iii. Remuneration to Key Managerial Personnel and Senior Management:**

- The remuneration to Key Managerial Personnel and Senior Management 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.
- The Nomination and Remuneration Committee of the Company, while administering the Employee Stock Option/ Purchase Schemes, shall determine the stock options and other share based payments to be made to Key Managerial Personnel and Senior Management.
- 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.
- The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.
- The remuneration including performance based incentives and yearly increments will be recommended by the Managing Director to the Committee and for other employees it will be considered as per HR Policy of the Company.

**VIII. REVIEW AND AMENDMENT OF THE POLICY:**

- The Nomination & Remuneration Committee or the Board may review the Policy as and when it deems necessary.
- The Policy may be amended or substituted by the Board on the recommendation of the Nomination & Remuneration Committee as and when required or when there are statutory changes necessitating the change in the Policy.