

**NOMINATION & REMUNERATION POLICY**

**(DIRECTORS, KMP & SENIOR MANAGEMENT)**

**INTRODUCTION**

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel and employees of the company, to harmonize the aspirations of human resource consistent with the goals of the company and in terms of the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this policy on Nomination and Remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management has been formulated.

**CONSTITUTION OF COMMITTEE**

CARE had two separate committees, 1) Remuneration Committee and 2) Corporate Governance and Nomination Committee. To comply with the provisions of the Companies Act, 2013 and revised clause 49 of the erstwhile Listing agreement, the Board of Directors at its 114<sup>th</sup> Board Meeting held on May 20, 2014, merged the Remuneration Committee and the Corporate Governance and Nomination Committee and named it as '**Nomination and Remuneration Committee**'.

**OBJECTIVE**

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 / Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The objective of this policy is to lay down a framework in relation to appointment and remuneration of directors, KMP, Senior Management Personnel and other employees and Board diversity.

The terms of reference of the Committee as defined by the Board are as follows:

**Section 178 of the Companies Act, 2013**

- 1) Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down;
- 2) Recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual Directors to be carried out either by the Board, by the Committee or by any an independent external agency and review its implementation and compliance;
- 3) Formulate the criteria for determining qualifications, positive attributes and independence of a director;
- 4) Recommend to the Board a policy, relating to the remuneration for the directors, key

managerial personnel and other employees.

#### **Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

- 1) Formulation of 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;
- 2) For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - a. *use the services of an external agencies, if required;*
  - b. *consider candidates from a wide range of backgrounds, having due regard to diversity; and*
  - c. *consider the time commitments of the candidates.;*
- 3) Formulation of criteria for evaluation of Independent Directors and the Board;
- 4) Devising a policy on Board diversity;
- 5) 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.
- 6) 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. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.
- 7) Recommend to the board, all remuneration, in whatever form, payable to senior management.

#### **APPLICABILITY**

- a) Directors (Executive and Non-Executive)
- b) Key Managerial Personnel
- c) Senior Management Personnel

#### **DEFINITIONS**

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

**“Board”** means Board of Directors of the CARE Ratings Limited.

**“Directors”** mean Directors appointed to the Board of a Company.

**“Executive Director”** means a director who is in full time employment and involved in the day to day management of the company.

**“Non- Executive Director”** means a director who is not in employment of the Company but is involved in policy making and planning exercises.

**“Independent Directors”** means a director referred to in Section 149 (6) of the Companies Act, 2013 and rules made thereunder and Regulation 16 (1) (b) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

**“Key Managerial Personnel”** means

- the Chief Executive Officer or the Managing Director, or the Manager;
- the Company Secretary;
- the Whole-time director;
- the Chief Financial Officer;
- 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
- Such other officer as may be prescribed.

**“Senior Management Personnel”** mean 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 chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) including the functional heads and shall specifically include company secretary and chief financial officer.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be amended from time to time shall have the meaning respectively assigned to them therein.

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

### **1. Appointment Criteria and Qualifications**

- a) The Board of Directors of CARE to consist of eminent professionals from the disciplines of banking, finance, accounts, economics, etc.
- b) The Nomination and Remuneration 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.
- c) 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.
- d) The Company shall not appoint or continue the employment of any person as Executive 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.

- e) The Company shall not appoint or continue the employment of any person as Non-Executive Director who has attained the age of 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.

## 2. Positive Attributes

- a) Excellent interpersonal, communication, leadership and representational skills;
- b) Having continuous professional development to refresh knowledge and skills;
- c) Commitment of high standard of ethics, personal integrity and probity;

## 3. Independence of Director

CARE is a professionally managed company. It neither has identified promoter nor any nominee director or any director holding any substantial shareholding in the Company. In view of being professionally managed company, any person who fulfils the criteria of Independence as prescribed under the Act and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, can be appointed as an Independent Director.

## 4. Evaluation of Performance

The Committee shall recommend to the Board on appropriate performance criteria for the directors. It shall also carry out evaluation of performance of every Director on the Board of the Company.

## 5. Term / Tenure

- a) **Managing Director/Whole-time Director/Executive Director:** The Company shall appoint or re-appoint any person as its Managing Director or Wholetime 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.

## **6. Removal**

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

## **7. Retirement**

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

## **8. Board Diversity**

The Committee is to assist the Board in ensuring that diversity of gender, thought, experience, knowledge and perspective is maintained in the Board nomination process in accordance with the Policy on Board Diversity.

## **B. POLICY FOR REMUNERATION TO DIRECTORS / KMP / SENIOR MANAGEMENT PERSONNEL**

### **1. Remuneration to Managing Director, Executive Director, KMP and Senior Management Personnel:**

The Remuneration / Compensation etc. to be paid to Director / Managing Director 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 however shall always be subject to such approvals as per the applicable provisions of such act- The remuneration with regard to Senior Management Personnel will be as per the policy of the Company.

### **2. Performance Evaluation and Variable pay to Managing Director & CEO and Key Managerial Personnel:**

The performance evaluation of the Managing Director & CEO and other Key Managerial Personnel will be decided on the basis of financial and technical parameters and its achievement to the budgeted targets fixed by the Board. Further, the overall performance of the Company, retention of the clients, new additions of the client, recovery of outstanding dues, growth in profit, growth in revenue and control over management expenses will also be considered.

**3. Remuneration to Non-Executive Director and Independent Director:**

The Non-Executive Director and Independent Director will be entitled for sitting fees for attending the Board and Committee Meetings 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 and after passing of a resolution by the Board.

**4. Commission:**

The Non-Executive Director and Independent Director may be paid commission 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 and after passing of a resolution by the Shareholders.

**5. Stock Options:**

Independent Directors shall not be entitled to any stock options of the Company.

**6. Minimum remuneration to Managing Director and Executive Director in case of no profits or inadequate profits:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director and Executive Director in accordance with the provisions of Schedule V of the Companies Act, 2013 or, if it is not able to comply with such provisions, with the approval of the Central Government.

**7. Post-retirement Benefits:**

The Managing Director, Executive Director and Senior management Personnel are entitled for retirement benefits such as encashment of leave, leave travel concession, provident fund, superannuation fund and gratuity.

**B. DUTIES IN RELATION TO NOMINATION MATTERS:**

The duties of the Committee in relation to nomination matters include:

- a) Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- b) Ensuring that in case of appointment as Independent Directors, the Independent Directors shall be issued a formal letter of appointment in accordance with the Guidelines provided under the Act;
- c) Identifying and recommending Directors who are to be put forward for retirement by rotation.
- d) Determining the appropriate size, diversity and composition of the Board;
- e) Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- f) Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- g) Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- h) Delegating any of its powers to one or more of its members or the Secretary of the

Committee;

- i) Recommend any necessary changes to the Board;
- j) Considering any other matters, as may be requested by the Board.

### **C. DUTIES IN RELATION TO REMUNERATION MATTERS**

The duties of the Committee in relation to remuneration matters include:

- a) Considering and determining the Remuneration Policy, based on the performance and also reasonableness and sufficient to attract / retain / motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- b) Approving the remuneration of the Senior Management including Key Managerial Personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- c) Delegating any of its powers to one or more of its members or the Secretary of the Committee.
- d) Considering any other matters as may be requested by the Board.

### **D. REVIEW AND AMENDMENT**

- a) On the recommendation of the Committee, the Board may review the Policy as and when it deems necessary.
- b) The Committee may issue the guidelines, procedures, formats, reporting mechanism and manual in supplement and better implementation to this Policy, if it thinks necessary.
- c) In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.