

NOMINATION AND REMUNERATION POLICY

Introduction

This Nomination and remuneration policy ("Policy") has been formulated by the Company's Nomination and Remuneration Committee ("NRC/Committee") and approved by the Board of Directors in term of the relevant provisions of the Companies Act, 2013 ("Act")

Applicability

This Policy is applicable to:

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

Definitions:

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

"Company" means Assets Care & Reconstruction Enterprise Ltd.

"CSOP" means employee stock options granted under Cash Settled Option Plan 2019 to those employees under contractual employment with the Company.

"ESOP" means employee stock options granted under various ESOP Schemes of the Company.

"Independent Director" means a director who has been appointed as such and who satisfies the criteria and conditions laid down in the Act.

"Key Managerial Personnel" means Key Managerial Personnel as defined under the Act and the rules made thereunder

"Managing Director/ Whole Time Director" means person appointed under Section 196, 203 of the Companies Act, 2013.

"Nomination and Remuneration Committee" means Committee of Board of Directors of the Company, constituted in accordance with the provisions of section 178 of Companies Act, 2013.

"Policy" means a "Nomination and Remuneration Policy"

"Senior Management" means employee(s) with designation of Senior Vice President and above.

Nomination and Remuneration Committee

The constitution of Nomination and Remuneration Committee shall be in accordance with the Companies Act, 2013 and other applicable guidelines.

Scope of Nomination and Remuneration Committee

- i) To identify the person who are qualified to become director and who may be appointed in senior management including KMPs in accordance with the criteria laid down in this policy.
- ii) Recommend to the Board, appointment, and removal of Director, KMP and Senior Management Personnel.
- iii) To specify the manner for effective evaluation of performance of Board, its committee and individual directors.
- iv) 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 for the directors, key managerial personnel and other employees.
- v) 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.
- vi) To perform such other functions as may be necessary or appropriate for the performance of its duties.

Policy on appointment and removal of Directors, Key Managerial Personnel (KMP) and Senior Management

i) Appointment criteria and qualifications:

a. Director (Independent, Executive and Non-Executive):

- i) The Committee shall identify and ascertain the integrity, qualification, expertise, and experience of the person for appointment as director, and recommend to the Board his / her appointment. The person shall not be disqualified to act as Director under Section 164 of the Companies Act, 2013.
- ii) 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 is sufficient / satisfactory for the concerned position.
- iii) Appointment of independent directors is subject compliance of provisions of Section 149 of the Companies Act, 2013, read with schedule IV and rules thereunder.

- iv) The Company shall not appoint or continue the employment of any person as managing Director / Whole-time Director/ Executive Director who has attained the age of seventy years.
- v) The Nomination and Remuneration Committee shall identify and ascertain the integrity, qualification, expertise, and experience of the person for the appointment of Managing Director/Whole Time Director and recommend to the Board of Directors and Shareholders of the Company for the said appointment as and when required.
- vi) The Committee shall ensure 'fit & proper' status of proposed/existing directors and sponsors.

b. Key Managerial Personnel and Senior Management Personnel

The Managing Director/Whole Time Director shall identify and ascertain the integrity, qualification, expertise, and experience of the person for appointment as a KMP and recommend to NRC for his / her appointment and basis on which NRC will propose to Board for its appointment and remuneration.

The appointment of the Key Managerial Personnel shall be in terms of the provisions of the Companies Act, 2013 and other applicable guidelines.

Further, all appointments for the position of Senior Vice President and above (excluding KMPs) shall be approved by the CEO with a report to the Nomination and Remuneration Committee.

The appointment shall be in compliance with the applicable statutory provisions.

ii. Term/Tenure:

a. Managing Director/Whole-Time Director:

The tenure of MD/CEO or WTD shall not be for a period of more than 5 years at a time and individual shall be eligible for re-appointment. The post of MD/CEO or WTD shall not be held by the same incumbent for more than 15 years continuously.

The company shall appoint or re-appoint any person as its Managing Director or Whole-time for a term not exceeding five years at a time in terms of applicable provisions of Companies Act, 2013. Further, No re- appointment shall be made earlier than one year before the expiry of term.

The individual shall be eligible for re-appointment as MD/ CEO or WTD in the same ARC, if considered necessary and desirable by the Board, after a minimum gap of three years, subject to meeting other conditions.

b. Independent Director:

Subject to the provisions of the Act / applicable rules, an Independent Director shall

hold office for a term up to five consecutive years on the Board of the company and shall be eligible for reappointment 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, 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.

iii. Evaluation:

The Committee shall carry out evaluation of performance of every Director on yearly basis and provide necessary report to the Board for its further evaluation.

The performance evaluation of the Board as a whole and Board Committees shall be done by the Board of Directors. Further, the performance evaluation of the Independent Director shall be done by the entire Board of Directors, excluding the director being evaluated.

The independent directors of the company shall hold at least one separate meeting in a year inter alia to review the performance of non-independent directors and the board as a whole accordance with the provisions of the Act / applicable rules. Further, Independent Directors shall also review the performance of the Chairperson of the Company, taking into account the views of the executive Directors and non-executive Director.

The CEO/Whole Time Director shall carry out the performance evaluation of the KMP and Senior Management Personnel at regular interval (yearly).

The aforementioned performance evaluation shall be undertaken based on the Director Evaluation Sheet and the Board Evaluation Sheet, which form part of this Policy as Annexure 1 and Annexure 2, respectively.

iv. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act / rules / relevant law, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or senior management personnel subject to provisions and compliance of the said Act / rules / relevant law.

v. 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, subject to compliance of all applicable legislations.

Remuneration Policy for Directors, Key Managerial Personnel and other employees

A. WHOLE TIME DIRECTOR/MANAGING DIRECTOR

The remuneration shall be recommended by the Nomination and Remuneration Committee to the Board for its approval. The remuneration/compensation shall be in terms of the provisions of the Companies Act, 2013 and subject to the approval of the shareholders, if required.

The Remuneration to Managing Director/Whole Time Director/CEO shall take into account the Company's overall performance, Managing Director/Whole Time Director/CEO's contribution for the same & trends in the industry in general, in a manner which will ensure and support a high-performance culture.

B. INDEPENDENT DIRECTORS (ID)

- a) ID shall be paid sitting fees as approved by the Board of Directors from time to time;
- b) ID shall be paid Commission within overall limits of 1% of the Net Profits computed under section 198 of the Companies Act 2013.
- c) The Commission payable to an Independent Director shall be subject to the annual performance evaluation of Directors as carried out in accordance with the applicable provisions of the Companies Act, 2013 and the Nomination & Remuneration Policy of the Company. The amount of Commission payable to an Independent Director shall be determined and approved by the Board basis their respective performance evaluation during the Financial Year after taking into consideration parameters as mentioned in **Annexure 1**.

The eligible commission for an individual Independent Director shall be computed within the overall limits of 1% of the Net Profits computed under section 198 of the Companies Act 2013, and to be decided by the Board of Directors divided by the total number of eligible Independent Directors. An Independent Director shall get the proportionate quantum of commission payable basis his tenure during the financial year rounded off to the nearest month i.e., full month shall be considered if the Independent Director joined before 15th of that month and in case of cessation after 15th of the month.

C. KEY MANAGERIAL PERSONNEL, SENIOR MANAGEMENT & OTHER EMPLOYEES

The remuneration of KMPs shall be approved by the Nomination and Remuneration

Committee.

The remuneration of Senior Management other than KMPs shall be decided by the Whole Time Director/Managing Director/CEO with the report to NRC.

The Remuneration of employees other than the KMPs and Senior Management shall be decided by the Managing Director/ Whole Time Director.

The objective of the policy is directed towards having a compensation philosophy and structure that will reward and retain talent.

The Employees with designation of Associate Vice President and above will be eligible for ESOPs/CSOP under ESOP/CSOP plans as approved by the nomination and Remuneration Committee/ Board of Directors and hence, such instrument(s) shall form part of their remuneration package.

The Remuneration to others may be such as to ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

Remuneration to Key Managerial Personnel and Senior Management may involve a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.

(III) Reimbursement of Daily Allowance to Directors and Employees of the Company during foreign visits for attending meetings of the Board of Directors/ Committee of Directors, Seminars, Trainings etc.

In case any Directors or any employee of the Company visits outside India for attending any meetings of the Board of Directors/ Committee of Directors, Seminars, Trainings etc, he/she shall be reimbursed following amount of Daily Allowance (DA) over and above the expenses related to boarding, lodging and conveyance to meet daily incidental expenses:

1. Directors: USD 200 per day
2. Employees: USD 150 per day

Further, in case the employees visit outside India for a training of more than 15 days than the reimbursement of daily incidental expenses should be USD 25 per day over and above the expenses related to boarding, lodging and conveyance.

The above criteria and policy are subject to review by the Nomination & Remuneration committee & the Board of Directors of the Company.

Annexure 1

DIRECTORS PERFORMANCE EVALUATION SHEET

Board Member Name:

S. No.	Topics and Statements	Rating [on a scale of 1-5, 5 being the highest]
1	Attends and participates in Board and Committee meetings regularly.	
2	Is prepared to evaluate and / or add value to items on the Agenda for the Board / Committee	
3	Has a good understanding of the organization's strategy and risk environment.	
4	Participates in meetings in an open and constructive manner.	
5	Represents the interests of shareholders and focuses on enhancing shareholder value.	
6	Applies experience and expertise to provide feedback and guidance to top management on areas of business strategy, governance and risk.	
7	Maintains effective and successful relationships with fellow Board members and senior management.	
COMMENTS (on responses or other insights into how the performance of the Director evaluated could be enhanced.		

Signature of Director

Annexure 2

ASSETS CARE & RECONSTRUCTION ENTERPRISE LTD. **BOARD PERFORMANCE EVALUATION SHEET**

NAME OF DIRECTOR:

S. No.	Topic and Statements	Rating [Strongly Agree (SA); Agree (A); Disagree (D)]
A	Composition & Role of the Board	
1	The size and diversity of the Board is appropriate	
2	The Chairman demonstrates effective leadership of the Board	
3	The Board comprises industry experts with appropriate skills, attributes and experience to carry out their duties	
B	Board Communication and Relationships	
4	The Board works as a team in bringing issues to the table and guiding top management in improving organizational performance	
5	Independent Directors meet to discuss Chairman(s) performance and succession.	
C	Board Meetings	
6	Whether the Board agendas and relevant documents received in terms of the provisions of Companies Act, 2013	
7	Whether the Board meetings are convened as per the provisions of the Companies Act, 2013	
8	Whether Board adhered to the quorum requirements in terms of the Companies Act, 2013	
D	Board Function	
9	Whether the roles and responsibilities of the Board are clear	
10	Whether the significant time of the Board is being devoted for deliberations on strategic issues	
11	Whether the Action Taken Report is properly discussed	
12	Whether the Board review the policies formulation and amendments therein	
13	Whether the Board discuss the Annual Business Plan of the Company	
E	Board Committees	

14	The Board is adequately apprised of the work of the Board Committees (Audit, Nomination & Remuneration, CSR, Risk Management Committee or any other committee constituted by Board from time to time) in line with their Terms of Reference.	
15	The Committees of the Board are properly constituted in terms of the Companies Act, 2013 and other applicable laws	
16	The frequency of the committee meetings is adequate	
17	Committee discussed the Action Taken Reports at the meeting	
18	The Audit Committee effectively fulfill its responsibilities in terms of the RBI guidelines and section 177 of Companies Act, 2013	
19	The Audit Committee oversees the performance of the Internal and Statutory Auditors	
20	The Audit Committee regularly reviews the adequacy / effectiveness of the Internal Audit function and accounting practices.	
21	The Audit Committee discusses with the Statutory Auditors of the Company before recommending financial results of the Company to the Board.	
22	The Audit Committee reviews all transactions of the Company with related parties and their justifications.	
23	The Nomination and Remuneration Committee effectively fulfill its responsibilities in terms of the RBI guidelines and section 178 of Companies Act, 2013	
24	The Nomination & Remuneration Committee effectively identifies and recommends candidates to the Board for the appointment as Directors or KMPs in terms of the provisions of section 178 of the Companies Act, 2013	
25	The Nomination and Remuneration Committee ensures that Board composition reflects diverse skills and experience	
26	The Corporate Social Responsibility Committee effectively monitors the CSR projects	
27	The Corporate Social Responsibility Committee reviews the moneyspent / to be spent by the Company on CSR activities as per prescribed guidelines and policy.	
28	The Credit Committee of Directors adhered to its terms of reference	
29	The Credit Committee of Directors adhered to the RBI guidelines while considering the settlement proposal	
30	The Risk Management Committee constituted to identify, assessing and to provide risk mitigation strategies regarding the key risks in the organization.	
31	The Committee on issuance and allotment of securities adhered to its terms of reference as specified	
F	Compensation	
32	The Nomination and Remuneration Committee reviews and recommends remuneration for Key Managerial Personnel and Senior Management Personnel.	

G	Legal and Financial Duties	
33	Board members receive all relevant papers and documents to allow them to effectively discharge their fiduciary responsibilities.	
H	Overall	
34	Evaluate the Board's overall effectiveness on a scale of 1-3 with 3 being most effective, 2 being effective and 1 being less than effective and your comments.	
I	Qualitative Feedback	
35	Any qualitative feedback and suggestion on the overall working of the Board	