



## Policy on Remuneration of the Directors, Key Managerial Personnel and other Employees

[Pursuant to Section 178(3) of the Companies Act, 2013 (“Act”)  
and Securities and Exchange Board of India  
(Listing Obligations & Disclosure Requirements),  
Regulation 2015]

**CAPITAL INDIA FINANCE LTD**

(formerly known as Bhilwara Tex-Fin Limited)

**W.E.F. 10 MAY 2019**

## Version Control Table

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[Version 1: Remuneration Policy for the Members of Board and Executive Management Policy w.e.f. 16 August 2017]

[Version 2: Policy on Remuneration of the Directors, Key Managerial Personnel and other Employees w.e.f. 10 May 2019]

# Policy on Remuneration of the Directors, Key Managerial Personnel and Other Employees

[Pursuant to Section 178(3) of the Companies Act, 2013 ("Act") and The Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements), Regulation 2015]

## 1. DEFINITIONS

- 1.1 This remuneration policy provides a framework for remuneration to be paid to the members of the Board of Directors ("Board"), Key Managerial Personnel ("KMP") and Senior Management Personnel ("SMP") of the Company (KMP and SMP are collectively referred to the "Executives").
- 1.2 Key Managerial Personnel ("KMP") means personnel of the Company who have been appointed as such in terms of the provisions of Section 203 of the Companies Act, 2013 and the rules made there under.
- 1.3 Senior Management Personnel ("SMP") means personnel of the Company who are members of its core management team excluding Board of Directors comprising of all members of management one level below the executive directors, including the functional heads.
- 1.4 The expression Other Employees mean all Employees of the Company other than Directors (Board), Key Managerial Personnel(s)(KMPs)& Senior Management Personnel(s)(SMPs).

## 2. Aims & Objectives

- 2.1 The remuneration policy aims that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, Executives and Other Employees of the quality required to run the Company successfully;
- 2.2 The remuneration policy aims that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- 2.3 The remuneration policy aims that the remuneration to Directors, Executives and Other Employees involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals and
- 2.4 The remuneration policy seeks to enable the Company to provide a well-balanced and performance-related compensation package, taking in to account shareholder interests, industry standards and relevant Indian corporate regulations.

## 3. Principles of remuneration

- 3.1 **Support for Strategic Objectives:** Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, supports and reinforces the achievement of the Company's vision and strategy.
- 3.2 **Transparency:** The process of fixing the remuneration to be paid to Directors, Executives and Other Employees shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.
- 3.3 **Internal equity:** The remuneration to the Directors, Executives and Other Employees shall be in accordance with their roles within the Company. Roles and Responsibility shall be formally evaluated to determine their relative weight in relation to other positions within the Company.
- 3.4 **External equity:** The Company strives to pay an equitable remuneration, capable of attracting and retaining high quality personnel. Therefore, the Company will remain logically mindful of the ongoing need to attract and retain high quality people and the influence of external remuneration pressures.

- 3.5 **Flexibility:** Remuneration and reward offerings shall be sufficiently flexible to meet both the needs of individuals and those of the Company whilst complying with relevant tax and other legislation.
- 3.6 **Performance-Driven Remuneration:** The Company shall entrench a culture of performance driven remuneration through the implementation of the performance appraisal system.
- 3.7 **Affordability and Sustainability:** The Company shall ensure that remuneration is affordable on a sustainable basis.

#### 4. **Nomination and Remuneration Committee (referred as "Committee")**

- 4.1 The Nomination and Remuneration Committee shall comprise of three or more non-executive directors out of which not less than one-half shall be independent directors.
- 4.2 The Nomination and Remuneration Committee shall be responsible for:
  - 4.2.1 Identifying person 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.
  - 4.2.2 Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors.
  - 4.2.3 Formulating 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.
  - 4.2.4 Devising a policy on diversity of Board of Directors.
  - 4.2.5 Whether to extend or continue the term of appointment of the Independent Director, based on the report of performance evaluation of Independent Directors.
  - 4.2.6 Recommend to the Board, all the remuneration, in whatever form, payable to Senior Management.
- 4.3 The Nomination and Remuneration Committee shall:
  - 4.3.1 review the ongoing appropriateness and relevance of the remuneration policy;
  - 4.3.2 ensure that all provisions regarding disclosure of remuneration, are fulfilled;
  - 4.3.3 ensure that no Director, Executives or Other Employees is involved in any decisions as to their own remuneration.
- 4.4 Without prejudice to the generality of the terms of reference to the Nomination and Remuneration Committees let out above, the Committee shall:
  - 4.4.1 Formulate the Company's Employee Stock Options schemes (if any) or other incentives schemes (if any) as applicable. It shall recommend to the Board the total aggregate amount of any grants to Directors, Executives or Other Employees (with the specific grants to individuals to be at the discretion of the Board) and make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment);
  - 4.4.2 liaise with the trustee/custodian of any Employee Stock Options scheme which is created by the Company for the benefit of Directors, Executives or Other Employees.

#### 5. **Procedure for selection and appointment of the Board of Directors**

##### 5.1 **Board membership criteria**

The Nomination and Remuneration Committee shall review on an annual basis, appropriate skills, characteristics and experience required of the Board as a whole and its individual members. The objective

is to have a Board with diverse background and experience in business, government, academics, finance, banking, technology and in areas that are relevant for the Company's operations.

In evaluating the suitability of individual Board members, the Nomination and Remuneration Committee shall consider many factors, including general understanding of the Company's business dynamics and social perspective, educational and professional background and personal achievements.

In addition, the Directors must be willing to devote sufficient time and energy in carrying out their duties and responsibilities effectively. They must have the aptitude to critically evaluate management's working as part of a team in an environment of collegiality and trust.

## 5.2 Selection of Board Members / extending invitation to a potential director to join the Board

One of the roles of the Nomination and Remuneration Committee is to periodically identify competency gaps in the Board, evaluate potential candidates as per the above criteria, ascertain their availability and make suitable recommendations to the Board. The objective is to ensure that the Board is appropriate at all points of time to be able to take decisions commensurate with the size and scale of operations of the Company. The Nomination and Remuneration Committee shall also identify suitable candidates in the event of a vacancy being created on the Board on account of retirement, resignation or demise of an existing Board member. Based on the recommendations of the Committee, the Board shall evaluate the candidate(s) and decide on the selection of the appropriate member.

## 6. Procedure for selection and appointment of Executives

- 6.1 The Committee shall actively liaise with the relevant departments of the Company to study the requirement for Executives, and shall prepare a list of the Executive positions to be filled up with relevant job profile;
- 6.2 The Committee shall conduct a wide-ranging search for candidates for filling various positions of Executives from within the Company, within enterprises controlled by the Company or within enterprises in which the Company holds equity, if any, and from the help of human resource consultants;
- 6.3 The professional, academic qualifications, professional titles, detailed work experience and all concurrently held positions of the candidates shortlisted shall be compiled;
- 6.4 A meeting of the Committee shall be convened, and the resume of the shortlisted candidates shall be examined with emphasis on the suitability of the shortlisted candidates after giving due consideration to the location and other relevant factors for appointment of the Executive(s);
- 6.5 Before the selection of Executive(s), there commendations along with relevant information on the relevant candidate(s) shall be submitted to the Board of Directors for its consideration;
- 6.6 The Committee shall carry out other follow-up tasks based on the decisions and feedback received from the Board of Directors.

## 7. Compensation Structure

### 7.1 Remuneration to Non-Executive Directors:

The Non-executive Directors excluding Independent Directors of the Company are neither paid sitting fee nor any commission.

### 7.2 Remuneration to Executive Directors, Key Managerial Personnel(s)(KMPs)& Senior Management Personnel(s)(SMPs):

The Company has a transparent framework for determining and accounting for the remuneration of the Managing Director / Whole Time Directors (CEO/WTDs), Key Managerial Personnel(s) (KMPs) and Senior Management Personnel(s) (SMPs). Their remuneration is governed by the external competitive environment, track record, potential, individual performance and performance of the Company as well as industry standards. The remuneration

determined for CEO/WTDs by the Committee is subject to the approval of the Board of Directors and Shareholders in due compliance of the provisions of Companies Act, 2013. The Nomination and Remuneration Committee shall recommend remuneration for the KMPs and the SMPs in whatever form payable to them at the time of the appointment to the Board. Any subsequent increments in remuneration shall be recommended by the Nomination & Remuneration Committee to Board for approval.

7.3 Other Employees (Employees other than Executive Directors, Key Managerial Personnel(s)(KMPs)& Senior Management Personnel(s)(SMPs)

The Company has a transparent framework for determining and accounting for the remuneration of the employees. Their remuneration is governed by the external competitive environment, track record, potential, individual performance as well as industry standards. The compensation for other employees would be as per the compensation policy of the Company, as revised through the Annual Appraisal Review process from time to time and approved by the Managing Director / Chief Executive Officer in consultation with the Head- HR.

As a policy, the Executive Directors are neither paid sitting fee nor any commission.

## 8. Policy Review

- 8.1 This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of Listing Regulations with the Stock Exchanges. This remuneration policy as framed by the Nomination and Remuneration Committee shall be recommended to the Board for its approval.
- 8.2 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.
- 8.3 This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification to the policy as recommended by the Nomination and Remuneration Committee would be placed before the Board of Directors for their approval.