



**FINCARE**  
Banking on More

## **Fincare Small Finance Bank**

**Policy on Appointment and Remuneration  
of Directors and KMP (Version- 3.0)**

## Content

1. Preamble
2. Applicability
3. Objectives
4. Definitions
5. Constitution of Nomination and Remuneration Committee
6. Key Stakeholders and their roles for the purpose of this Policy
7. Key Provisions
  - i. **Section-A** covers the matters relating to the appointment and re-appointment of Directors and KMPs;
  - ii. **Section-B** covers the matters relating to resignation, retirement and removal of Directors and KMPs; and
  - iii. **Section-C** covers the matters relating to remuneration of Directors and KMPs.
8. Reporting Requirements and Disclosures
9. Miscellaneous
  - i. Document Control
  - ii. Revisions to this Policy
10. Document Review and Approval



## 1. Preamble

Fincare Small Finance Bank Limited (hereinafter referred to as the “**Bank**”) believes to operate not just in letter but also in spirit consistent with its objective to ensure that the Directors and Key Managerial Personnel (“**KMP**”) are sufficiently and effectively compensated for their performance. This Policy on appointment and remuneration of Directors and KMP(s) (“**Policy**”) has been formulated by the Nomination and Remuneration Committee (“**NRC**” or “**the Committee**”) and approved by the Board of Directors in accordance with the terms of the provisions of the following:

- i. the Companies Act, 2013;
- ii. the Companies (Appointment and Qualifications of Directors) Rules, 2014 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (“**Companies Rules**”);
- iii. the Articles of Association of the Bank;
- iv. the Banking Regulation Act, 1949;
- v. Guidelines, circulars or notifications (“**RBI Guidelines**”), as amended, issued by Reserve Bank of India (“**RBI**”) such as:
  - Guidelines for Licensing of Small Finance Banks vide circular dated November 27, 2014 issued by RBI;
  - Operating Guidelines for Small Finance Banks issued by RBI dated October 6, 2016;
  - List of Recommendations of the Consultative Group of Directors on banks and financial institutions issued by RBI vide circular dated June 20, 2002;
  - Guidelines on Compensation of Whole-time Director / Chief Executive Officer issued by RBI vide circular dated January 13, 2012;
  - RBI Guidelines on Compensation of Non-Executive Directors of Private Sector Banks issued by RBI vide circular dated June 1, 2015;
  - RBI Guidelines on Compensation of Chief Executive Officer/ Whole Time Directors issued by RBI vide circular dated September 16, 2015
  - Circulars on ‘Fit and proper’ criteria for directors of banks issued by RBI dated June 25, 2004 and May 23, 2011;
  - RBI circular dated 4.11.2019 on Guidelines for compensation of whole Time Directors and CEOs of banks

and

- vi. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the “**LODR**”) as amended from time to time.

This Policy shall act as a guideline to all the personnel carrying out their duties relating to the appointment, re-appointment, remuneration, resignation, retirement, removal and evaluation of performance of the Directors and KMP. All such personnel should ensure that they comply with the requirements of this Policy including any subsequent amendments thereto.

## 2. Applicability

This Policy is applicable to all the Directors and KMP of the Bank.



### 3. Objectives

The objectives of this Policy are as under:

- Ensure compliance with applicable laws, rules and regulations as well as ‘Fit and Proper criteria’ of directors before their appointment.
- Provide a guidance to the key stakeholders for the appointment/removal/dismissal of the Directors and KMP and lay down the selection criteria for their appointment.
- Establish standards on compensation/ remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry for such roles.
- Formulation of the criteria for determining the qualification, positive attributes and independence of Directors and recommend to the Board a Policy relating to the remuneration of the Directors and KMP.
- Formulate the criteria for evaluation of performance of all the Directors on the Board and to ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors and KMP of the quality required to run the Bank successfully.
- To align with Financial Stability Board Principles and Implementation Standards for sound Compensation Practices.

### 4. Definitions

Unless defined elsewhere in this Policy, the capitalised terms used in this Policy shall have the meanings ascribed to them herein below:

“**Applicable Laws**” means the Companies Act, 2013, the Companies Rules, the Articles of Association of the Bank, Banking Regulation Act, 1949, RBI Guidelines and LODR or any other law, rules and regulations as amended from time to time.

“**Bank or The Bank**” means Fincare Small Finance Bank Limited.

“**Board**” means the Board of Directors of the Bank.

“**Compensation Policy**” means comprehensive policy covering all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan, gratuity, etc. for all employees as per RBI guidelines.

“**Chairperson**” means the Chairperson of NRC.

“**Directors**” means the Directors of the Bank which shall include Independent Directors and non-executive directors.

“**Independent Director**” means a Director referred to in Section 149 (6) of the Companies Act, 2013.



**“Key Managerial Personnel”** means

- a. Managing Director, Chief Executive Officer or Manager and in their absence, a whole-time Director;
- b. Chief Financial Officer;
- c. Company Secretary; and
- d. Such other officer as may be prescribed under the Companies Act, 2013 and the Companies Rules.

**“RBI”** means Reserve Bank of India.

**“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.

**“Policy or This Policy”** means this Policy on Appointment and Remuneration of Directors and KMP.

**“Senior Management”** means the personnel of the Bank who are the members of its core management team excluding the Board comprising all members of management one level below the executive directors, including the functional heads.

**“Substantial Interest”** means

- i. in relation to a company - the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid up on which exceeds Rs. 5,00,000 (Indian Rupees Five Lakhs only) or 10% (Ten percent) of the paid-up capital of the company, whichever is less; and
- ii. in relation to a firm - the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than 10% (Ten percent) of the total capital subscribed by all the partners of the said firm.

## **5. Constitution of Nomination and Remuneration Committee**

In adherence to the Applicable Laws, the Bank has constituted the “Nomination and Remuneration Committee” of the Board, which consists of 5 (five) Non-Executive Directors out of which 4 (four) are Independent Directors. While the Chairperson of the NRC is a fixed member, in the absence of such director, the Chairperson of the NRC should be nominated from among the 5 (five) directors.<sup>1</sup> (One) member of the NRC shall be from the Risk Management Committee constituted by the Bank. The Committee can be reconstituted from time to time as may be decided by the Board.<sup>1</sup>

## **6. Key Stakeholders and their roles for the purpose of this Policy**

### **i. Company Secretary (“CS”)**

<sup>1</sup> Guidelines on Compensation of Whole-time Director / Chief Executive Officer as issued by RBI vide circular dated January 13, 2012 and November 04, 2019.

- a. To identify and build a database of existing Directors along with their retirement dates;
- b. To maintain a database of the number of Directors appointed, resigned or removed;
- c. Scan the market and create a potential list of independent directors;
- d. To ensure compliance with regulatory / accounting requirements; and
- e. Any other matter that is specifically delegated.

**ii. Chief People Officer (“CPO”)**

- a. To maintain a database of existing KMP and their retirement dates;
- b. Scan the market for potential candidates as per the requirement;
- c. Understand the market standards and salary benchmarks of KMP;
- d. Identify people to fill positions wherever required and recommend to NRC; and
- e. Any other matter that is specifically delegated.

**iii. Nomination and Remuneration Committee**

- a. To review recommendations for Directors/KMPs in accordance with the applicable norms;
- b. To decide on the acceptance of a candidature, based on the information provided in the signed declaration and undertaking provided by each candidate as is described in detail in Point 4 of Section A of Paragraph 7 of this Policy;
- c. To recommend to the Board, the appointment and removal of Directors/KMP;
- d. To carry out evaluation of every director’s performance;
- e. To review the structure, size and composition (including the skills, knowledge and experience) of the Board and its committees.
- f. Assessing the independence of independent non-executive Directors;
- g. Work in close coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The NRC shall also ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio;<sup>2</sup>

**iv. Chairperson of NRC**

- a. To assess the candidates shortlisted by NRC and select the final candidate for open positions.

## **7. Key Provisions**

This Policy is divided into 3 (Three) sections:

**Section-A** covers the matters relating to the appointment and re-appointment of Directors and KMPs;

**Section-B** covers the matters relating to the resignation, retirement and removal of Directors and KMPs; and

**Section-C** covers the matters relating to the remuneration of Directors and KMPs.

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<sup>2</sup> Guidelines on Compensation of Whole-time Director / Chief Executive Officer as issued by RBI vide circular dated January 13, 2012. And Guidelines on Compensation of Whole-time Directors/CEO etc., dated November 04, 2019



## Section-A: Appointment/Re-appointment of Directors and KMPs

### **1. Composition of the Board**

In the context of banking becoming more complex and competitive, the composition of the Board should be commensurate with the business needs of the Bank. Efforts should be aimed at bringing about a blend of 'historical skills' set, i.e. regulation based on representation of sectors like agriculture, small scale industries, cooperation etc. and the 'new skills' set, i.e. need based representation of skills such as, marketing, technology and systems, risk management, strategic planning, treasury operations, credit recovery etc.

Accordingly, the Bank on its Board shall have individuals as Directors and shall have a minimum of 3 (Three) Directors and maximum of 15 (Fifteen) Directors with at least one-woman Director. The Bank shall have at least 1 (One) Director who has stayed in India for a total period of not less than 182 (One Hundred Eighty-Two) days in the previous calendar year. The Board shall have a majority of Independent Directors. The Board shall have both Executive and Non-Executive Directors with not less than 50% (Fifty percent) of the Board comprising of Non-Executive Directors.

### **2. Appointment Criteria and Qualifications of Directors, CEO/Managing Director, Independent Directors and KMPs**

- i. NRC will primarily consider the integrity, qualification, expertise and experience of the person for appointment as Director and KMP.
- ii. Not less than 51 % (Fifty-One Per Cent), of the total number of members of the Board of the Bank shall consist of persons, who-
  - a. shall have special knowledge or practical experience in 1 (one) or more of the following matters, namely:
    - Accountancy • Agriculture and rural economy • Banking • Cooperation • Economics Finance • Law • Small-scale industries • Risk Management • Technology • Treasury • Credit • Marketing • Strategy • any other matter the special knowledge of, and practical experience in, which would be useful to the Bank.
  - b. shall not-
    - i. have Substantial Interest in, or be connected with, whether as employee, manager or managing agent in-
      - any company, not being a company registered under section 8 of the Companies Act, 2013; or
      - any firm, which carries on any trade, commerce or industry and which, in either case, is not a small-scale industrial concern; or
    - ii. be proprietors of any trading, commercial or industrial concern, not being small-scale industrial concern.



iii. NRC will evaluate the candidate against the eligibility criteria and 'fit and proper' criteria for nomination of Directors as per RBI guidelines:

- a. The Board and/or NRC of the Bank while nominating/ co-opting directors shall be guided by certain broad 'fit and proper' norms for directors, viz. formal qualification, experience, track record, integrity, etc. For assessing integrity and suitability features like criminal records, financial position, civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies, previous questionable business practices etc. shall be considered.
- b. The prospective candidate for directorship is required to give a declaration and undertaking to the Bank as specified in Annexure -1 of RBI circular on 'Fit and proper' criteria for directors of banks vide circular no. DBOD. No. BC. No. 95 /29.39.001/2010-11 dated May 23, 2011. The NRC will scrutinise such declaration and decide on the acceptance of the candidate. The Directors are required to give a declaration to the Bank on an annual basis confirming that the information already provided has not undergone any change and where there is any change in the information erstwhile provided by the Director, the requisite details should be furnished by such directors.
- c. The following criteria may also be followed for nominating independent/ non-executive directors:
  - The candidate should normally be a graduate (which can be relaxed while selecting directors for the categories of farmers, depositors, artisans, etc.);
  - He / she should be between 35 (Thirty Five) and 70 (Seventy) years of age; and
  - He / she should not be a Member of Parliament / Member of Legislative Assembly/ Member of Legislative Council.
- d. Commonality of Directors of Bank and Non-Banking Finance Companies ("NBFC")

In case, a Director on the Board of a NBFC is to be considered for appointment as Director on the Board of the Bank, the following conditions must be followed:

- He/she is not the owner of the NBFC, [i.e., shareholdings (single or jointly with relatives, associates, etc.) should not exceed 50% (Fifty percent)];
  - He/she is not related to the promoter of the NBFC;
  - He/she is not a full-time employee in the NBFC; and
  - The concerned NBFC is not a borrower of the Bank.
- iv. The Director shall furnish his Director Identification Number and a declaration that he is not disqualified to become a director under the Applicable Laws at the time of his/her appointment and at the beginning of every financial year thereafter.
  - v. The Managing Director of the Bank shall be person who has special knowledge and practical experience of-
    - a. the working of a banking company, or of the State Bank of India or any subsidiary bank or a financial institution; or





- b. financial, economic or business administration.
- vi. The Bank shall not appoint or employ at the same time a managing director and a manager.
- vii. In case of an Independent Director, the candidate should possess the desired attributes as prescribed under Section 149(6) of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Schedule IV of the Companies Act 2013.
- viii. In case of Managing Director or Whole Time Director, the candidate should possess the desired attributes as prescribed under Section 196(3) and Section 196(4) of the Companies Act, 2013 read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 and Schedule V of the Companies Act 2013.

**3. Criteria for disqualification of Directors, Managing Director, Independent Directors and KMPs**

- i. A person shall not be eligible for appointment as a Director, if:
  - a. He is disqualified as per Section 164 of the Companies Act, 2013 or under Section 10 of the Banking Regulation Act, 1949.
  - b. A Chairperson of Bank or other whole-time Director who has been removed from office as such Chairperson of Bank, or whole-time Director, as the case may be, under the provisions of the Banking Regulation Act shall also cease to be a Director and shall also not be eligible to be appointed as a Director, whether by election or co-option or otherwise, for a period of 4 (Four) years from the date of his ceasing to be the Chairperson of Bank or whole-time Director as the case may be.
  - c. The Bank shall not have more than 3 (Three) directors who are directors of companies who among themselves are entitled to exercise voting rights in excess of 20% (Twenty percent) of the total voting rights of all shareholders of the Bank.
- ii. Disqualification and Restrictions for whole-time Chairperson of Bank or KMP:
  - a. A person shall not be eligible for appointment as a whole-time Chairperson of Bank or a whole-time KMP if –
    - He/she is disqualified as per Section 10 of the Banking Regulation Act, 1949.
    - Has attained the age of 70 (Seventy) years.

Provided that the term of the person holding this position may be extended beyond the age of 70 (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 70 (Seventy) years.

- b. A whole-time key managerial personnel shall not hold office in more than one company except in its subsidiary company at the same time. This will not disentitle a KMP from being a director of any company with the permission of the Board.
- c. In addition to the above, a person shall not be eligible for appointment as a whole-time Chairperson of Bank or a Managing Director of the Bank, if:

- He / She is a Director of any company other than director of a subsidiary of the banking company or a director of a company registered under Section 25 of the Companies Act, 1956 (1 of 1956)], (i.e., Section 8 of the Companies Act, 2013);
  - he / she is a partner of any firm which carries on any trade, business or industry;
  - has Substantial Interest in any other company or firm, or is a director, manager, managing agent, partner or proprietor of any trading, commercial or industrial concern; or
  - Is engaged in any other business or vocation.
- d. In case of an Independent Director, the candidate should possess the expertise/qualifications as prescribed under Section 149(6) read with the relevant rules and Schedule IV of the Companies Act 2013 and should not suffer the disqualifications as prescribed under Section 164 of the Companies Act, 2013.
- e. In case of a Managing Director or Whole Time Director, the candidate should not suffer from any disqualifications as prescribed under Section 196(3), Section 196(4) and Section 164 of the Companies Act, 2013 read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 and Schedule V of the Companies Act 2013.
- f. An individual shall not be appointed or reappointed as the Chairperson of the Bank, in pursuance of the Articles of Association of the Bank, as well as the Managing Director or Chief Executive Officer of the Bank at the same time unless:
- the Articles of Association provides otherwise; or
  - the Bank does not carry out multiple businesses.

#### **4. Manner of Identification and Selection**

- i. The NRC, considering the inputs from the Chairperson, Managing Director of the Board and Company Secretary, on a yearly basis (or as required) will review the structure, size and composition (including the skills, knowledge and experience) of the Board and the Committee. The NRC will identify skill set gaps in existing Board bearing in mind the growth / new geographies / new products / new technologies / marketing campaigns / succession programs of the Bank and regulatory requirement, basis which, it will determine the optimum composition of the Board that is most effective in relation to future operations of the Bank.
- ii. NRC should undertake a process of due diligence to determine the suitability of the candidate for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. NRC may seek support from Chief People Officer of the Bank for such due diligence.
- iii. In order to select the desired profile for the open position(s), the NRC may:
- a. solicit nomination of persons to be appointed as Directors from the existing members of the Board; or
  - b. solicit recommendations for appointment of persons as Directors and KMP from the Chief Executive Officer, Senior Management, other executive officers or third-party search firms.
- iv. In case of Independent Directors, the Committee may identify suitable person(s) from a data bank containing names, addresses and qualifications of persons who are eligible and willing to

act as Independent Directors, maintained by any body, institute or association, as may be notified by the Central Government, having expertise in creation and maintenance of such data bank and put on their website for use by the company/Bank making the appointment of such Directors. Provided that the responsibility of exercising due diligence before selecting a person from the data bank referred to above, as an independent director shall lie with the NRC and the Board making such an appointment.

- v. While identifying the potential candidates, the NRC shall also consider the qualification and disqualification criteria as defined elsewhere in this Section of the Policy.
- vi. The nomination shall be sent to the Chairperson via letter or e-mail. The nomination should include a brief description of the candidate's qualifications & experience and other relevant details.
- vii. The NRC shall review and evaluate the candidate including his / her qualifications, and conduct inquiries it deems appropriate with no regard to the source of the initial recommendation of such proposed candidate.
- viii. After reviewing the profile of the nominated candidate, the NRC may conduct multi stage interviews of shortlisted candidates to ascertain fitment/willingness for taking up directorship with the Bank. Company Secretary will assist the NRC for scheduling the interviews of the shortlisted candidates. The interview process would cover the following aspects:
  - a. Age and relevant experience;
  - b. Qualification and industry expertise/standing;
  - c. Track record of previous assignments;
  - d. Ability to Contribute to Board/ Committee meetings;
  - e. Commitment to Board/Committee framework and charters;
  - f. Alignment and maturity
- ix. NRC can conduct the interviews together or can delegate amongst themselves 1 (One) - 2 (Two) members for conducting the interview.
- x. NRC may delegate its powers to conduct the initial level interviews to the Managing Director & CEO/Executive Director of the Bank.
- xi. NRC and the delegated members will conduct formal/ informal interviews of the candidates to assess their suitability for the relevant role of the Board member.
- xii. NRC will evaluate the candidates and document the same in the Interview Feedback Form. 2 (Two) or 3 (Three) suitable candidates will be recommended on the basis of the ratings to the Chairperson (in case the Chairperson was not involved) for additional rounds of review.
- xiii. NRC will forward to the Chairperson the interview feedback form/disclosure/background verification for his/her final decision and thereby for recommendation to the Board.
- xiv. NRC will recommend the selected candidate to the Board which shall be considered at the Board Meeting immediately following the meeting of the NRC at which the candidature was recommended.



- xv. The final decision to appoint a candidate as a Director / KMP of the Bank shall be taken by the Board by passing an appropriate resolution.

**5. Manner of Appointment and Re-appointment of Directors and KMP**

- i. All new Director appointees to the Board are subject to their election at the General Meeting following their appointment. The explanatory statement annexed to the notice of the General Meeting called to consider the said appointment shall indicate the justification for choosing the appointee for appointment as Director.
- ii. Every person proposed to be appointed as a Director shall furnish his Director Identification Number and a declaration that he is not disqualified to become a director under the applicable laws and regulations.
- iii. A person appointed as a Director shall on or before the appointment give his consent to hold the office of Director in physical form DIR-2 i.e. consent to act as a Director of the Bank.
- iv. In case of Independent Directors, the appointment shall first be considered in the meeting of the Board and later on approved by the Bank by way of ordinary resolution in General Meeting and the explanatory statement relating to their appointment should contain a declaration from the Board that in their opinion, the Independent Directors satisfy the conditions provided under the applicable laws and regulations for such appointment.
- v. As per Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, every listed company and every other public company having paid-up share capital of Rs. 10,00,00,000 (Indian Rupees Ten Crores only) or more, is required to have a whole time KMP. Every whole-time KMP other than Managing Director or whole-time Director, Manager, Chief Financial Officer or Chief Executive Officer, shall be appointed by means of resolution of the Board containing the terms and conditions of the appointment including the remuneration.
- vi. As per Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, every listed company and every other public company having paid-up share capital of Rs. 5,00,00,000 (Indian Rupees Five Crores only) or more, is required to have a whole time Company Secretary (“CS”). Such CS shall be appointed by means of resolution of the Board containing the terms and conditions of the appointment including the remuneration. A whole-time CS shall not hold office in more than 1 (One) company except in its subsidiary company at the same time.
- vii. In case of appointment or re-appointment or termination of appointment of a Chairman of the Bank, a Managing Director or whole-time Director, Manager or Chief Executive Officer by whatever name called, shall have effect unless such appointment, re-appointment or termination of appointment be approved by the Board at a meeting which shall be subject to approval by a Resolution at the next General Meeting of the Bank and with the previous approval of the RBI. In case of appointment of Managing Director, appointment or employment has to be approved by a resolution passed at a meeting of the Board with the consent of all the Directors present at the meeting.



- viii. In case of re-appointment of a Director, the NRC shall conduct a due diligence again to determine the Director's suitability for continued employment.
- ix. Re-appointment of Independent Director shall also be dependent on the basis of report of his performance evaluation. The second tenure of Independent Director shall be by way of Special Resolution passed in the General Meeting of the Bank.
- x. Re-appointment of the Chairman of the Bank, Managing Director, or Chief Executive Officer or Manager and in their absence, a whole-time Director shall take effect after the approval of the RBI. A managing director or whole-time director or manager can be re-appointed for a term of maximum 5 (Five) years. However, such re-appointment shall not be made earlier than 1 (One) year before the expiry of his/her term.
- xi. Special resolution needs to be passed for appointment / re-appointment of Director in the position of Managing Director / Executive who has attained age of 70 (Seventy) years.

## **6. Term of Appointment of Independent Director and KMP**

- i. Notwithstanding anything to the contrary contained in the Companies Act, 2013 or any other law in force, no Director, other than the Chairperson of the Bank or whole-time Director, by whatever name called, shall hold office continuously for a period exceeding 8 (Eight) years.
- ii. The whole time Managing Director shall be in whole time employment of the Bank and can hold office at a time for a period of 5 (Five) years. The Bank shall renew or extend the term of office of the Managing Director by further periods not exceeding 5 (Five) years on each occasion subject to the condition that such renewal/extension shall not be sanctioned earlier than 2 (Two) years from the date on which the appointment is to come into force. However, this shall be subject to RBI approval.
- iii. An Independent Director shall hold office for a term upto 5 (Five) consecutive years on the Board of the Bank but shall be eligible for re-appointment on passing of a Special Resolution. He shall not hold office for more than 2 (Two) consecutive terms, but such Independent Director shall be eligible for appointment after the expiration of 3 (Three) years of ceasing to be an Independent Director. However, he shall not, during the said period of 3 (Three) years, be appointed in or be associated with the Bank in any other capacity, either directly or indirectly.
- iv. The term for appointment of the KMPs other than Managing Director, or Chief Executive Officer or Manager and in their absence, a whole-time Director shall be as may be decided by the Board on the recommendation of NRC, the Article of Association of the Bank and the prevailing Human Resource Policy ("**HR Policy**") of the Bank.

## **Section-B: Retirement, Resignation and Removal of Directors and KMPs**

### **1. Retirement**

- i. As per the provisions of the Companies Act, 2013, not less than 2/3<sup>rd</sup> (Two-Thirds) of the total number of Directors (excluding Independent Director and nominee/ investor directors) shall be



persons whose office is liable to retirement by rotation and 1/3<sup>rd</sup> (One-Third) of such of the Directors shall retire by rotation at every Annual General Meeting (AGM). If the number of retiring directors is neither 3 (Three) nor a multiple of 3 (Three), then, the number nearest to 1/3<sup>rd</sup> (One-Third), shall retire from office.

- ii. The directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment. The Bank may fill up the vacancy on account of retirement by rotation, by appointing the retiring director or some other person. If the vacancy of the retiring director is not so filled-up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a national holiday, till the next succeeding day which is not a holiday, at the same time and place. If at the adjourned meeting also, the vacancy of the retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring director shall be deemed to have been re-appointed, unless
  - at that meeting or at the previous meeting a resolution for the re-appointment of such director has been put to the meeting and lost;
  - the retiring director has, by a notice in writing addressed to the Bank or its Board of directors, expressed his unwillingness to be so re-appointed;
  - he is not qualified or is disqualified for appointment;
  - a resolution, whether special or ordinary, is required for his appointment or re-appointment by virtue of any provisions of the Companies Act, 2013; or
  - the director is disqualified under Section 164 of the Companies Act, 2013.
- iii. The Managing Director and Chief Executive Director shall retire as per the applicable provisions. The Board will have the discretion to retain the retiring Director in the same position even after attaining the retirement age, for the benefit of the Bank.
- iv. The Independent Directors shall not be liable to retire by rotation. Independent Directors shall retire who has attained age of 70 (Seventy) years (age limit is in compliance with the RBI circular DBOD. No. BC. 24/ 08.139.001/2002-03).
- v. Other Non- Executive Directors shall retire as per sub-paragraph (i), (ii) and (iii) of this Paragraph-1 hereinabove.
- vi. The KMPs other than Managing Director, or Chief Executive Officer or Manager shall be liable to retire as per the prevailing HR policy.

## **2. Resignation**

- i. The resignation of a Director shall take effect from the date on which the notice of resignation is received by the Bank or the date, if any, specified by the director in the notice, whichever is later or any other provisions as may be applicable.
- ii. The resignation of the KMPs other than the Managing Director or Whole-time Director shall take effect in accordance with the HR Policy of the Bank from time to time.
- iii. Chairman of the Board appointed on a whole-time basis or a Managing Director may, by writing, resign his office. A Chairman of the Board appointed on a whole-time basis or a Managing Director whose term of office has come to an end, either by reason of his resignation or by reason of expiry of the period of his office, shall, subject to the approval of the RBI, continue in office until his successor assumes office.



### **3. Removal**

- i. Due to reasons for any disqualification mentioned in Section 167(1) of the Companies Act, 2013 or for such other compelling reasons, the NRC may recommend to the Board with reasons recorded in writing, removal of any of the Director or KMP.
- ii. The Bank shall by an ordinary resolution, remove a Director before the expiry of the period of his office after giving him a reasonable opportunity of being heard, in case the Bank has not appointed such director by adopting the principle of proportional representation. The Director who was removed from office shall not be re-appointed as a Director by the Board.
- iii. The Bank shall send a special notice to remove a Director or to appoint somebody in place of a director at the meeting at which he is removed. A director so appointed shall hold office till the date up to which his predecessor would have held office if he had not been removed.
- iv. The removal of the Chairman of the Bank, Managing Director, or Chief Executive Officer or Manager and in their absence, a whole-time Director shall take effect after the approval of the RBI.
- v. The removal of the KMPs other than Managing Director, Chief Financial Officer, Chief Executive Officer or Manager and in their absence, a whole-time Director shall take effect in accordance with the HR Policy of the Bank from time to time. If the office of any whole-time KMP is vacated, the resulting vacancy shall be filled-up by the Board at a meeting of the Board within a period of 6 (Six) months from the date of such vacancy.

### **Section-C: Remuneration of Director and KMP**

#### **1. Remuneration to Managing Director / Chief Executive Officer/Whole-time Director**

- i. The Remuneration to be paid to Managing Director/ Chief Executive Officer/Whole-time Director shall be governed as per provisions of the Section 197 of the Companies Act, 2013, the Companies Rules and Schedule V of the Companies Act, 2013.
- ii. While computing the remuneration for Managing Director/Chief Executive Officer/Whole-time Director, the NRC shall be guided by the revised compensation policy of the bank w.e.f. Apr 01, 2020, as revised from time to time.
- iii. The remuneration payable to the Managing Director/Chief Executive Officer/Whole-time Director shall be subject to the approval of the RBI.

#### **2. Remuneration to Non-Executive/Independent Director**

- i. Independent Directors shall be paid sitting fees for attending the meetings of the Board and the Committees of which they are members. The Board may at its discretion revise the sitting fees payable to the Independent Directors from time to time provided that the amount of such sitting fees shall not exceed the limit of Rs. 1,00,000 (Indian Rupees One Lakh only) as prescribed under the Section 197 of the Companies Act, 2013 and Companies Rules.<sup>3</sup>
- ii. Subject to the Applicable Laws and the Articles of Association of the Bank, the Board may, at its discretion, provide for payment of compensation in the form of profit related commission to

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<sup>3</sup> Rule 4 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.



the non-executive directors (other than the Part-time Chairman), subject to the Bank making profits. Such compensation to non-executive directors shall not exceed Rs.10,00,000 (Indian Rupees Ten Lakh only) per annum for each director.<sup>4</sup>

- iii. An Independent Director shall not be entitled to any remuneration, other than sitting fee, reimbursement of expenses for attending Board or Committee meetings and profit related commission as approved by the members. However, he will not be entitled to any stock option of the Bank.

### **3. Remuneration to KMPs other than Managing Director/ Whole-time Director**

- i. Remuneration and increments to the KMPs other than Managing Director/Whole-time Director shall be determined by the NRC and recommended to the Board as per RBI Guidelines.
- ii. Remuneration for KMPs shall be governed as per the prevailing HR Policy of the Bank.

## **8. Reporting Requirements and Disclosures**

The Bank shall disseminate the information on this Policy on its website and the Board's report.

### **1 Disclosures relating to Appointment of directors**

- i. The Bank shall provide information to the Board on recruitment and remuneration of senior officers just below the level of Board, including appointment or removal of Chief Financial Officer and the Company Secretary.
- ii. The Committee shall prepare and recommend the remuneration Policy to the Board. The status of implementation of the remuneration Policy shall also be reported on an annual basis to the Board.

### **2 Ongoing Disclosures**

- i. The Bank is required to make disclosures in the Annual Financial Statements of the Bank as per the format specified in Appendix 2 of the Guidelines on Compensation of Whole-time Director, Chief Executive Officer, and Other Risk Taking Officer issued by RBI vide circular dated January 13, 2012, July 01, 2015 and November 04, 2019.
- ii. The Bank shall disclose the following information in its Annual Report –
  - a. pertaining to Board:
    - composition and category of directors (e.g. promoter, executive, nonexecutive, independent non-executive, nominee director – institution represented and whether as lender or as equity investor);
    - attendance of each director at the meeting of the board of directors and the last annual general meeting;

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<sup>4</sup> RBI Guidelines on Compensation of Non-executive Directors of Private Sector Banks dated June 1, 2015.





- number of other board of directors or committees in which a directors is a member or chairperson;
  - number of meetings of the board of directors held and dates on which held;
  - disclosure of relationships between directors inter-se;
  - number of shares and convertible instruments held by non- executive directors; and
  - web link where details of familiarisation programmes imparted to independent directors is disclosed.
- b. pertaining to the Committee:
- brief description of terms of reference;
  - composition, name of members and chairperson and mandate of the committee ;
  - meeting and attendance during the year; and
  - performance evaluation criteria for independent directors.
- c. information pertaining to the remuneration of directors:
- all pecuniary relationship or transactions of the non-executive directors vis- à-vis the Bank shall be disclosed in the annual report;
  - criteria of making payments to non-executive directors;
  - all elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension, service contracts, notice period, severance fees;
  - details of fixed component and performance linked incentives, along with the performance criteria;
  - service contracts, notice period, severance fees; and
  - stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.
  - Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.
  - Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.
  - Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.
  - A discussion of the bank’s policy on deferral and vesting of variable remuneration and a discussion of the bank’s policy and criteria for adjusting deferred remuneration before vesting and after vesting.
  - Description of the different forms of variable remuneration (i.e., cash and types of share-linked instruments) that the bank utilizes and the rationale for using these different forms.

## 9. Miscellaneous

### 1. Document Control

- i. Secretarial Department will be the custodian of this Policy.
- ii. The contents of this Policy are confidential and are intended for internal use by the Bank only.

- iii. This Policy should always be kept in a safe place and must not be copied or revealed to third parties (i.e. persons not employed by Fincare Small Finance Bank) without the express written permission from Secretarial Department.
- iv. Distribution of this Policy, in whole or in part, should come through an official request to the Secretarial Department.

**2. Revisions to this Policy**

This Policy should be reviewed on an annual basis. Any changes in the Applicable Laws in relation with this Policy will be applied mutatis mutandis and will not require specific Board approval. In case of conflicting provisions between this policy and applicable law, the law shall prevail.

**10. Document Review and Approval**

- 10.1. Policy Owner: Secretarial and Human Resource Department
- 10.2. SME: Mr. Pankaj Gulati
- 10.3. Effective date: July 7, 2020

10.4. Revision history

Version	Author	Date	Revision
V3.	Ms. Shefaly Kothari	18.06.2020	Changes w.r.t. guidelines for compensation of Whole-time directors and CEO and other minor changes

This document has been reviewed by

	Reviewer	Date reviewed
1	Mr. Pankaj Gulati	19.06.2020
2		
3		
4		

This document has been approved by

	Name	Date reviewed
1	Board of Directors	07.07.2020
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3		

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