



OMKARA ASSETS RECONSTRUCTION PRIVATE LIMITED

NOMINATION AND REMUNERATION POLICY

JULY 2024

POLICY APPROVAL DETAILS

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GLOSSARY

Abbreviation	Meaning
OARPL/Company	Omkara Asset Reconstruction Private Limited
ARC	Asset Reconstruction Company
HR	Human Resource department
KMPs	Key Managerial Personnels defined under the Companies Act, 2013
NRC	Nomination and Remuneration Committee of Board of Directors of the Company formed in line with the Companies Act, 2013.
RBI	Reserve Bank of India
MD	Managing Director
CEO	Chief Executive Officer
COO	Chief Operating Officer
CFO	Chief Financial Officer
CS	Company Secretary
CRO	Chief Risk Officer
WTD	Whole Time Director

A. INTRODUCTION TO THE POLICY

The Notification issued by the Reserve Bank of India on 'Review of Regulatory Framework for Asset Reconstruction Companies (ARCs)' dated 11th October, 2022 stipulates that in order to strengthen the overview by the Board, all ARCs shall constitute a Nomination and Remuneration Committee in accordance with the provisions of the Companies Act, 2013 ('the Act') read with the Rules framed there under. The said Committee shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013. In addition, the Committee shall ensure 'fit and proper' status of proposed/ existing directors and sponsors. Accordingly, the Company has framed a policy for laying down the criteria for appointment of Directors, Key Managerial Personnel and senior management as well determining the remuneration payable to them and other employees.

B. DEFINITIONS

- a) "Board" means the Board of Directors of the Company
- b) "Act and Rules" means the Companies Act, 2013 and rules framed thereunder, as amended from time to time.
- c) "RBI" stands for Reserve Bank of India has a significant role in regulating and supervising the operations of Asset Reconstruction Companies (ARCs).
- d) "Nomination and Remuneration Committee" or "Committee" shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act read with RBI circular.
- e) "Senior Management Personnel (SMP)" refers to the group of individuals who are responsible for making high-level decisions in an organization. Key managerial personnel shall be considered as Senior Management Personnel of the company.
- f) "KMP" stands for Key Managerial Personnel as per the Companies Act of 2013. Key Managerial Personnel include:

Managing Director or Chief Executive Officer or Manager

Company Secretary

- 1. Whole-Time Director
 - 2. Chief Financial Officer
 - Such other officer as may be prescribed.
 - 3. Such other officers appointed at CXO level by the Board of OARPL.
- g) 'Fit and Proper' criteria for the Directors and Sponsors of Asset Reconstruction Companies (ARCs), below are the suitable requirements:
 - 1. Integrity, Justice and Honesty: Individuals should exhibit a high standard of integrity, honesty and fair dealing.
 - 2. Professional Competence: Individuals should have adequate financial and business knowledge and experience to actively contribute to the committee's responsibilities. They should possess outstanding leadership abilities, strategic and innovative thinking.
 - 3. Independence: The candidate should have an independent outlook and able to bring objectivity to the functioning of the board and the NRC.
 - 4. Conflict of Interest: Directors should remain free of situations in which there exist or may exist conflicts of interest that may impair his/her ability to provide unbiased advice. They

should not have undertaken any assignments from the ARC in which they are a director.

5. Compliance: The candidate should be free of any violation of regulations, including breach of guidelines / instructions by RBI, SEBI or other regulatory bodies

C. APPLICABILITY OF THE POLICY

This policy is applicable to all the directors, officers and employees of Omkara ARC.

D. OBJECTIVE & SCOPE OF THE POLICY

As a measure of good corporate governance and in compliance with the RBI Circular dated 11.10.2022 read with provisions of Section 178 of Companies Act 2013, the following policy is formulated by the Company with the following objectives:

- h) Formulation of policy on appointment and removal of Directors, KMPs and Senior Management.
- i) Determining key areas to be considered like qualifications, positive attributes, independence, areas of expertise, number of Directorships in other companies and such other factors as it may deem fit while appointing Directors, KMP, senior management.
- j) Providing a framework/Policy for the remuneration to the Independent Directors, Non-executive Directors, Managing Director/Executive Directors, KMPs, Senior Level Management, External Committee Members / Independent Advisory Committee Members and other employees of the Company.
- k) Ensuring the 'fit and proper' status of proposed/ existing directors and sponsors of the Company.
- l) Formulate the process for effective evaluation of performance of the Board of the Company, the Board committees, and individual directors.
- m) To monitor and evaluate the achievement of the Board / committees/ individual directors.
- n) To provide the Directors an opportunity to reflect on and assess their areas of strength and development.

The NRC shall also ensure that:

- a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the company successfully;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) remuneration to Directors, KMPs and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

COMPOSITION OF THE NRC COMMITTEE:

- a) Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors.
- b) Provided that the chairperson of the company may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

ROLE OF NRC:

The NRC shall: -

- a) Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.
- b) Recommend to the Board their appointment and removal.
- c) Specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance.
- d) Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- e) Recommend to the Board this Policy, relating to the remuneration for the directors, key managerial personnel, and other employees.
- f) 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.

I. APPOINTMENT AND REMOVAL OF DIRECTORS, KMPs AND SENIOR MANAGEMENT PERSONNEL

A. APPOINTMENT AND REMOVAL OF DIRECTORS

NRC shall determine the criteria for appointment to the Board of Directors and shall be vested with the authority to identify candidates for appointment as Directors. While evaluating the suitability of an individual Board member, NRC shall consider multiple factors, including general understanding of the business, educational qualification, professional background, personal achievements, professional ethics and integrity of the proposed candidate. NRC shall also ensure that the proposed Director fulfils the fit and proper criteria specified in applicable regulations from time to time.

In terms of the provisions of the SARFAESI Act read with relevant RBI circular, prior approval of the Reserve Bank of India is required for appointment/ re-appointment of a director or MD/ CEO.

NRC has a discretion for determining on Qualification, expertise and experience for appointment of director.

For this purpose, ARCs shall obtain necessary information and declaration from the appointed/ existing directors and MD/ CEO in the format as required under Companies Act 2013 and RBI Regulations. The Nomination and Remuneration Committee shall scrutinize the declarations for this purpose. The declaration with updated information shall be obtained from the directors/ MD/ CEO on an annual basis, as on March 31 of each year.

- a) Based on the recommendation of NRC, the Board shall evaluate the candidate(s) and decide on their selection. The new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.
- b) If a Director is disqualified as per any provision mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the company,

NRC may recommend to the Board, with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

- c) OARPL shall submit applications, complete in all respect, along with duly signed disclosures, documents & information to Department of Regulation of the Reserve Bank at least ninety days before the vacancy arises/ the proposed date of appointment or re-appointment.

B. APPOINTMENT AND REMOVAL OF KMP AND SENIOR MANAGEMENT PERSONNEL

- a) The authority to identify right candidates for the appointment of Chief Finance Officer (CFO) and Company Secretary (CS) other positions as prescribed by the board, shall be vested with the MD & CEO. HR shall facilitate MD & CEO towards identifying the candidates internally or externally. NRC shall consider the candidates proposed by the MD & CEO and recommend to the Board for its consideration and appointment in accordance with the applicable provisions of the Act and rules.
- b) In case of MD & CEO's appointment, NRC shall initiate the process of identifying the new candidate, which can be an internal or external candidate, for the respective position. After identification and screening of the candidate, NRC shall propose the applicant to the Board for its consideration and for appointment subject to the approval of RBI and Shareholders.
- c) If a KMP is disqualified as per any provision mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the company, NRC may recommend to the Board with reasons recorded in writing, removal of a KMP subject to the compliance of the applicable statutory provisions.
- d) No person shall continue as MD/ CEO or WTD beyond the age of 70 years.
- e) NRC shall also ensure that the proposed MD/ CEO fulfils the fit and proper criteria specified in applicable regulations from time to time.

II. PERFORMANCE EVALUATION

OARPL shall follow an annual evaluation process for its KMPs including the senior management team. Similarly, the Performance Evaluation for the Board as a whole, its committees, individual directors, the Chairman, MD & CEO, shall also be carried out on an annual basis.

The Performance Evaluation is designed to:

- a) Review the pre-designed role of the Board collectively and individual Directors in discharge of duties as set out in the Company from time to time.
- b) Formulate the process for performance evaluation for each level.
- c) Coordinate and collate the feedback received.
- d) Analysis of the feedback received and preparation of summary thereof.
- e) Share the evaluation summary with the Chairman of NRC.

CRITERIA FOR EVALUATION OF PERFORMANCE:

The Nomination and Remuneration Committee has laid down the criteria for evaluation of performance of Independent Directors and the Board.

- a) Attendance and contribution at Board and Committee meetings.
- b) His/her stature, appropriate mix of expertise, skills, behavior, experience, leadership qualities, sense of sobriety and understanding of business, strategic direction to align company's value and standards.
- c) His/her knowledge of finance, accounts, legal, investment, marketing, foreign exchange/hedging, internal controls, risk management, assessment and mitigation, business operations, processes and Corporate Governance.
- d) His/her ability to create a performance culture that drives value creation and a high quality of debate with robust and probing discussions.
- e) Effective decisions making ability to respond positively and constructively to implement the same to encourage more transparency.
- f) Open channels of communication with executive management and other colleagues on Board to maintain high standards of integrity and probity.
- g) Recognize the role which he/she is expected to play, internal Board Relationships to make decisions objectively and collectively in the best interest of the Company to achieve organizational successes and harmonizing the Board.
- h) His/her contribution to enhance overall brand image of the Company.

III. EVALUATION MECHANISM

The NRC shall carry out evaluation of performance of every director, KMP and senior management at regular intervals. The NRC of the Company shall evaluate the performance of the directors including Independent Directors and recommend to the Board all fees, compensation/remuneration including fixed and variable components and perquisites.

- a) Performance Evaluation of Board - The performance evaluation of the individual Directors, the Chairman of the Board, MD & CEO and the Board as a whole, shall be carried out on the basis of the feedback received from the Directors in the questionnaires circulated amongst them on an annual basis.
- b) Performance Evaluation of Independent Directors – The evaluation of the Independent Directors shall be done by the entire Board (excluding the independent director being evaluated) on the basis of their performance, fulfilment of the independent criteria and their independence from the management.
- c) Performance Evaluation of the Board Committees - The performance evaluation of the Board Committees shall be conducted on an annual basis. The separate set of questionnaires for each of the Committees, shall be sent to the directors for their feedback.
- d) In the above evaluation, the directors who are subject to evaluation shall not participate. The feedback received shall be given to the Chairman of the NRC and Chairman of board for discussion.

Evaluation will be as per the standard format prescribed by Omkara ARC.

IV. CRITERIA FOR DETERMINATION OF REMUNERATION

- a) The remuneration structure may be as per Human Resource policy.
- b) In addition to the sitting fees and commission, the Company may pay such fair and reasonable expenditure, as may have been incurred by the director while performing his/ her role as a director of the Company. This could include reasonable expenditure incurred by the director for attending Board/ Board committee meetings, general meetings, court convened meetings, meetings with shareholders/creditors/ management, site visits, induction, briefing meetings convened for the Company's cause and in the interest of business and training (organized by the company for directors) and in obtaining professional advice from independent advisors in the furtherance of his/ her duties as a Director.
- c) If, in any financial year, the Company has no profits or its profits are inadequate, OARPL may pay to its MD & CEO / Whole-time Director minimum remuneration in accordance with the provisions of Schedule V to the Act.
- d) The NRC shall ensure that: -
 - 1. The level and composition of remuneration is fair, reasonable and sufficient to attract, retain and motivate quality standards requisite for successful running of OARPL.
 - 2. Remuneration is a balance between fixed and performance-linked pay.

A. REMUNERATION OF THE INDEPENDENT DIRECTORS & NON-EXECUTIVE DIRECTORS

- a) The Independent Director shall not be an employee of the Company and the appointment letter issued to him/her shall not constitute a contract of employment.
- b) The Independent Directors are eligible for sitting fees for attending the meetings of the Board and the Committees thereof. The Independent Directors are not eligible for stock options of the Company.
- c) The Company may pay sitting fees to the non-executive directors and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Act and rules made thereunder or any other enactment for the time being in force.

B. REMUNERATION OF THE MD & CEO / EXECUTIVE DIRECTOR

- a) The remuneration of the MD & CEO / Executive Director is recommended by the NRC to the Board. Based on the recommendations of the NRC, the Board determines and approves the remuneration of the MD & CEO / Executive Director, subject to necessary approvals, if any.
- b) The MD & CEO / Executive Director shall be eligible for stock options of the Company.

C. REMUNERATION OF THE KMP (OTHER THAN MANAGING DIRECTOR) AND SENIOR MANAGEMENT EMPLOYEES

- a) The key components of remuneration package of the KMP (other than Managing Director) and Senior Management employees shall, as prescribed as per Human resource policy.
- b) The KMP (other than Managing Director) and Senior Management employees shall be eligible for stock options of the Company if so, considered by the Board to retain the requisite talent for the Company.

The Cost-to-Company (CTC) shall be reviewed once annually and the compensation strategy for positioning of individuals shall take into consideration the following elements:

1. Performance
2. Potential
3. Criticality of role
4. Responsibilities undertaken.

Eligible employees shall be rewarded with an annual increment and variable bonus. This annual increment and variable bonus shall be based on the performance of the Company, the annual performance appraisal of the employee during the financial year and general industry trends, etc.

V. COMMISSION

The aggregate commission payable will be recommended by the NRC to the Board subject to approval of shareholders based on company performance, profits, return to investors, shareholder value creation and any other significant qualitative parameters as may be decided by the Board.

The Board may allow payment of compensation in the form of profit related commission to the non-executive directors, subject to the Company making profits.

VI. DISCLOSURE

This policy shall be placed on the website of the Company and the salient features thereof along with the web address shall be disclosed in the Director's Report.

VII. REGULATORY REFERENCE

- a) The Companies Act 2013.
- b) Master Circular - Asset Reconstruction Companies updated April 2024, and as may be updated from time to time.

VIII. POLICY REVIEW AND UPDATE

This Policy may be amended, modified, or supplemented from time to time. Policy shall be reviewed by the NRC to ensure compliance with any changes in the provisions of the Act or as may be prescribed by the NRC/Board. Any changes or modification to the Policy as recommended by the Committee would be placed before the Board of Directors for their approval.