# POLICY ON APPOINTMENT, REMUNERATION AND DIVERSITY OF BOARD

## 1. BACKGROUND:

Companies Act 2013 ("CA13") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR") require the Nomination and Remuneration Committee of a company to recommend to the Board and the Board to approve a Policy on Appointment, Remuneration and Diversity of Board ("Policy"). Regulations of Reserve Bank of India ("RBI") also requires NBFCs to have a policy on Fit and Proper criteria for appointment of Directors. Accordingly, the Board of Directors ("Board") of M/s Shriram City Union Finance Ltd ('Company") has approved this policy considering the recommendation of its Nomination and Remuneration Committee ("NRC").

## 2. APPLICABILITY:

This Policy covers the appointment, remuneration of Directors, Key Managerial Personnel ("KMP"), Senior Management Personnel of the Company and the performance appraisal of the Directors.

## 3. DEFINITION:

All terms used in the Policy shall have the same meaning as ascribed to them under CA13, SEBI (LODR).

## 4. OBJECTIVES:

The objective of this policy is to stipulate criteria for (i) Appointment, re-appointment, continuance, discontinuance and extension of term of directors KMPs and senior management,(ii) Increase diversity at Board level and to make maximum use of the skills and industry experience of the directors, (iii) Retain, Promote, motivate and sustain talent in the Company, (iv) Remuneration payable to the Directors, KMP and Senior Management personnel,(v) Ensure the remuneration is reasonable, sufficient to attract and retain talents and is proportional to the effort, performance, dedication and achievement relating to the Company's operations of the concerned individual, (vi) Strike the balance between fixed component and variable incentive of remuneration.

## 5. CRITERIA FOR APPOINTMENT:

The appointment shall be based on (i) Qualification, technical expertise, track record, specialised expertise relevant experience for the concerned position, (ii) Age, number of completed /remaining years of service, and period of employment or association with the Company,(iii) Special achievements and operational efficiency which contributed to growth in business in the relevant functional area, (iv) Constructive and active participation in the affairs of the Company,(v) Exercising the responsibilities in a bona fide manner in the interest of the Company ,(vi) Sufficient devotion of time to the assigned tasks, (vii) Diversity of the Board keeping in view the skills, qualification, experience in varied fields of finance, banking, administrative etc. of directors in different industry and other related matters, (viii) Having a valid Director Identification Number in case of a director ,(ix) having name in the data base of the Indian Institute of Corporate Affairs in case of Independent Directors throughout the tenure in the Company.



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## CRITERIA FOR REMUNERATION:

The remuneration shall be sufficient based on the criteria of appointment mentioned above and shall be subjected to the limits mentioned below.

| Category | Remuneration | Remarks |
|---|---|---|
| Whole-time Director & Managing Director | Basic Pay, allowances, Perquisites, Retirement benefits, Employee Stock Option Scheme, and reimbursement of expenses incurred in performance of office duties | As approved by the Board/shareholders, subject to the limits prescribed under the CA13. |
| Director (other than Independent Director) | Reimbursement of reasonable expenses for attending the meetings of Board and Committees, where such director is a member as decided by the Board from time to time. | Sitting Fees are subject to the applicable limits (not exceeding 1 lakh per meeting) prescribed under CA13. |
| Independent Directors | Sitting Fees of ₹ 75,000/- per meeting of the Board, per meeting of each Committee and Reimbursement of reasonable expenses for attending such meetings as decided by the Board from time to time | |
| Senior Management Personnel/ KMP | Basic Pay, allowances, Perquisites, retirement benefits, Employee Stock Option Scheme reimbursement of expenses incurred in performance of office duties. | As decided by the Managing Director of the Company |

The Managing Director shall decide about the remuneration of the executives based on the criteria set, subject to limits fixed under any applicable law at the time of appointment and shall decide about reasonable annual increase keeping in view the prevailing market condition, statutory requirements objectives/criteria and any other factor. The following matters shall be brought to the attention of the NRC for evaluation and recommendation.

*a.* Remuneration to any person in excess of Rupees two crore per annum
*b.* Appointment / remuneration of Directors, KMPs, Senior management personnel

The maximum remuneration payable to all the Directors/managerial personnel shall be capped as provided under Section 197, 198, Schedule V of the Act.

On appointment, the Company shall issue appointment letter.

## PROCESS OF EVALUATION:

The evaluation of the Board, Committee, Director and Chair Person shall be carried out at least once a year. The evaluation of performance of each independent director shall be done by all the directors except the concerned independent director. The evaluation of performance of non-independent directors shall be carried out by the Independent Directors. Independent Directors shall also evaluate the Board as a whole, the Chairperson of the Company, quantity and timeliness of flow of information. The evaluation shall be carried out through an evaluation sheet based on different criteria, i.e. qualification, experience, age, participation, attendance, knowledge, quality of discussion, beneficial contribution etc. The evaluation and the results thereof shall be confidential.

## PERFORMANCE EVALUATION OF THE BOARD/COMMITTEE:

Each director shall be provided with rating sheet on the pre-set criteria. The rating sheet shall be filled in by each director with scores awarded by him/her and shall be handed over to the Company Secretary. The total score given by all the directors participating in the evaluation shall be totaled up and averaged out by dividing the total score with number of participating directors. Based on the average score, the Board may decide on the necessary improvement activities to be under taken.

## PERFORMANCE EVALUATION OF THE DIRECTORS:

Each director shall be provided with rating sheet on the pre-set criteria. The rating sheet shall be filled in by each director for all the directors except himself/herself with necessary details with scores awarded by him/her. The filled in rating sheet shall be handed over to the Company Secretary .The total score given by all the directors participating in the evaluation shall be totaled up and averaged out by diving the total with number of participating directors.

## OUTCOME OF THE EVALUATION

The outcome of the evaluation shall be placed before the Board, NRC and before the meeting of Independent Directors. The NRC, Meeting of Independent Directors based on their observation of the awarded scores placed before them, can suggest to the Board for action, if any. Based on the recommendation of relevant Committee and based on its own observation, Board can decide about continuance, discontinuance and extension.

## EFFECT AND REVISION:

This policy shall come into effect from April 1, 2022 and shall remain in force till amended by the Board with recommendation of the Committee. Any regulatory changes affecting this Policy shall prevail over this Policy.



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