



Nomination & Remuneration Policy

November, 2023

SBI DFHI LTD

Nomination and Remuneration Policy

1. Background:

As required under the provisions of Section 178 of the Companies Act, 2013 (the Act) and RBI notification No. RBI/DoR/2023-24/105 Master Direction-RBI (Non-Banking Financial Company-Scale Based Regulation) Direction 2023 DoR.FIN.REC.No.45/03.10.119/2023-24 dated 19th October 2023 and as amended from time to time, this policy on Nomination and Remuneration of Directors, Key Managerial Personnel (“KMP”) and the Senior Managerial Personnel (“SMP”) has been formulated by the Nomination and Remuneration Committee of Board (“NRCB” or “the Committee”) and approved by the Board of Directors of the Company (“the Board”).

2. Objective and purpose:

- a. To guide the Board by laying down criteria and terms and conditions in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management and to ensure ‘Fit & Proper’ status of proposed/ existing directors.
- b. To formulate criteria for evaluation of Board of Directors and to evaluate the performance of the members of the Board and provide necessary report to the Board.
- c. To recommend to the Board a policy, relating to the remuneration for directors, Key Managerial Personnel and formulate criteria for remuneration payable to Senior Management Personnel and other employees.
- d. To provide Key Managerial Personnel, Senior Management Personnel and other employees performance based incentives / rewards relating to the Company’s operations.
- e. To retain, motivate and promote talent and to ensure long term sustainability of talented Senior Management Personnel.

3. Definitions:

- i) Key Managerial Personnel: Key Managerial Personnel means—
- a. Managing Director & CEO – MD & CEO,
 - b. Chief Financial Officer means EVP & CFO,
 - c. Company Secretary & Chief Compliance Officer,
 - d. such other officer as may be prescribed by the Act or rules / notifications / circulars made / issued / notified, thereunder
- ii) Senior Management Personnel (“SMP”) means personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, if any or the MD& CEO, including the functional heads.

Unless the context otherwise requires, the “words and expressions” used in this Policy and not defined herein but defined in the Companies Act, 2013, as may be amended, from time to time, shall have the meaning respectively assigned to them therein.

4. Applicability:

The Policy is applicable to all Directors, Key Managerial Personnel (KMP), SMP and other employees.

5. Constitution, Composition, Quorum of the Committee

I. Number of Members

- i. The Committee shall consist of a minimum 3 (Three) non-executive directors, out of which not less than one half shall be Independent Directors.
- ii. The quorum for the Committee meetings shall be one third of its total strength (any fraction contained in that one third being rounded off as one) or two Directors, whichever is higher, of which, at least one Director shall be an Independent Director.
- iii. The Chairman of the Committee will be an Independent Director from amongst the members of the Committee. In the absence of the Chairman, members of the Committee present at the meeting shall choose one of the members of the committee to act as Chairman.
- iv. The Chairman of the Company may be a member of the Committee but will not chair the Committee.

- v. The Chairman of the Committee or in his absence any other member of the Committee authorised by him in this behalf, shall attend the general meetings of the Company.
- vi. Membership of the Committee shall be disclosed in the Annual Report.

II. Meetings and Invitees to meetings:

- i. The Committee will meet as and when required or as mandated by the Board or the Chairman of the Committee.
- ii. The Committee may invite such executives, as it considers appropriate to be present at any meeting of the Committee.
- iii. The EVP & CFO shall be the permanent invitee of the Committee meetings.
- iv. The Company Secretary shall act as Secretary of the Committee and provide assistance to it.

6. Role and functions of the Committee related to Nomination

NRCB may ensure “Fit and proper “ status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the Company. KMPs and Senior Management.

I. Appointment criteria and qualifications:

- i. To identify persons who are qualified to become directors and who may be appointed as KMP or SMP, who possesses integrity, independence, adequate knowledge, skill, qualification, experience in the field of his/her specialization commensurate with the proposed role and responsibility as Director, KMP or SMP and shall have the ability to manage the responsibility assigned to him/her.
- ii. The Company should ensure that it appoints or continues the employment of any person as Managing Director / Whole-time Director, if any, subject to the conditions laid down under Part I of Schedule V of the Companies Act, 2013.
- iii. To ensure that the Company shall appoint or continue the service of any person as Independent Director subject to the provisions of Section 149 read with Schedule IV and other applicable provisions of the Companies Act, 2013.
- iv. Key Managerial Personnel shall not hold any office (including Directorships) in any other NBFC-ML or NBFC-UL except for directorship in a subsidiary.

II. Tenure of appointment:

i. Executive Directors:

- a. The Company shall appoint or re-appoint any person as its Managing Director / Whole-time Director by whatever name called, for a term not exceeding five years at a time, subject to the right of the State Bank of India to appoint the Managing Director / Whole-time Director as contained in the Articles of Association of the Company.
- b. No re-appointment of the Managing Director / Whole-time Director shall be made earlier than one year before the expiry of his/her term.

ii. Independent Director:

- a. To ensure that an Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- b. To ensure that no Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after the expiry of three years of ceasing to become an Independent Director.

Provided that an Independent Director shall not be appointed in or be associated with the Company in any other capacity, either directly or indirectly. In this connection, the provisions of section 149 (6) to (13) of the Companies Act 2013 relevant therein shall prevail.

The committee shall carry out evaluation of performance of every Director on yearly basis on certain pre-determined parameters.

III. Removal:

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel, subject to the provisions and compliance of the said Act, rules and regulations.

IV. Retirement:

- i. The Director shall retire as per the applicable provisions of the Companies Act, 2013, and KMP and SMP shall retire as per the prevailing Policy of the Company in this regard.
- ii. 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.

7. Role and functions of the Committee related to Remuneration

The NRCB, inter alia, shall have the mandate to oversee the framing, review and implementation of compensation policy of the Company which should have the approval of the Board. The NRCB may work in close co-ordination with Risk Management Committee (RMCB) of the Company to achieve effective alignment between compensation & risks. Further, the NRCB may ensure that compensation levels are supported by the need to retain earnings of the Company & the need to maintain adequate Capital based on ICAAP.

I. Remuneration for the Managing Director / Whole-time Director, if any

The remuneration of the Managing Director / Whole-time Director will be determined by the Committee and recommended to the Board for approval, subject to the right of the State Bank of India to determine the remuneration and the terms and conditions of service of the Managing Director / Whole-time Director appointed by State Bank of India pursuant to its rights of their appointment, as contained in the Articles of Association of the Company. The remuneration of the Managing Director / Whole-time Director shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever applicable / required.

The remuneration payable to the Managing Director / Whole-time Director, if any, who are deputation from State Bank of India shall be in accordance with the policy of State Bank of India in this regard and as per the provisions of the Companies Act, 2013, and the rules made there-under, which may be in force, from time to time.

Minimum remuneration :

If, in any financial year, the Company has no profits or its profits are inadequate, it shall pay remuneration to its Managing Director / Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the prior approval of the Central Government.

II. Remuneration to KMPs and SMPs:

Regular Pay:

The KMPs and SMPs including functional heads, shall be eligible for a monthly remuneration as per Company's Policy, which will consist of Fixed and incentive components including perquisites and statutory benefits to attract, retain and motivate KMPs and SMPs to attain the short and long term performance objectives of the Company.

The KMP or SMP who is on deputation from State Bank of India shall be eligible for remuneration as per the policy of State Bank of India, in this regard.

III. Profit related ex-gratia/performance based remuneration/ PLI.

i) Managing Director / Whole-time Director:

Subject to approval of the Board, in addition to fixed remuneration, the Managing Director / Whole-time Director is entitled to receive remuneration within the limits prescribed under the Act by way of profit related ex-gratia / performance based remuneration/PLI.

ii) Other KMPs and Senior Management Personnel:

Subject to approval of the Board, in addition to fixed remuneration, to motivate executives to pursue the long term growth and success of the Company, KMPs and SMPs are entitled to receive profit related ex-gratia / performance based remuneration.

IV. Remuneration to Independent Director/ Non-Executive Director:

i) Sitting Fees:

The Independent Director/Non-Executive Director shall receive remuneration by way of fees for attending meetings of Board or Committee thereof as approved by the Board, subject to the maximum limit prescribed by the Central Government from time to time.

ii) Stock Options:

An Independent Director/Non-Executive Director shall not be entitled to any stock option of the Company.

Where any insurance is taken by the Company on behalf of its Directors, Managing Director, KMPs and SMPs for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

V. Appointment and remuneration of other Employees of the Company

The terms of appointment and remuneration of employees of the Company (other than Managing Director, KMPs and SMPs including functional head) shall be governed by the Company's Policy.

8. Delegation

The Committee or the Board of Directors may delegate one or more powers / responsibilities prescribed in this policy in favour of the Managing Director or any other Officer of the Company for implementation of the policy.

9. Review/Renewal

This policy shall be reviewed at annual intervals or as and when required, subject to approval of the Board.
