



# DHANLAXMI BANK

NOMINATION & REMUNERATION POLICY OF BOARD

**Version 6.0**

**Date: 26.03.2024**

**DOCUMENT DETAILS**

<b>Policy Title</b>	Dhanlaxmi Bank - Nomination & Remuneration Policy of Board
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1	September 29, 2015	1.0	Formation of Policy / Initial Version
2	April 17, 2019	2.0	Revision
3	February 04, 2020	3.0	Revision
4	June 09, 2021	4.0	Revision
5	December 05, 2022	4.0	Revision
6	March 15, 2023	5.0	Revision

Nomination & Remuneration Policy of Board	Company Secretary	Department Heads	MD & CEO	Nomination and Remuneration Committee	Board
	R/A	C	C/I	I	I

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## 1. PREAMBLE

In compliance with the Reserve Bank of India directives dated May 23, 2011 on Fit & Proper Criteria for Directors on the Board of Banks, Banking Regulation Act 1949, Section 178 and all other applicable provisions of the Companies Act, 2013 read along with the applicable rules thereto and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”), every listed company has to constitute a Nomination & Remuneration Committee and formulate a Nomination & Remuneration Policy (hereinafter called the “Policy”). The Bank has already re-constituted the Nomination & Remuneration Committee of the Board (“the Committee”) in compliance with the provisions of the Companies Act, 2013 read along with the applicable rules thereto, SEBI LODR and the Banking Regulation Act, 1949.

The role of Nomination & Remuneration Committee shall, inter-alia, includes the following: -

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - a. use the services of an external agencies, if required;
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates.
- Formulation of criteria for evaluation of performance of independent directors and the board of directors;
- Devising a policy on diversity of board of directors;
- Identifying persons 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 of directors their appointment and removal.
- Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- Recommend to the board, all remuneration, in whatever form, payable to senior management.

This Policy is formulated in compliance with the provisions of the Banking Regulation Act, 1949, Companies Act, 2013, SEBI LODR and other applicable rules and regulations.

## 2. OBJECTIVES OF THE POLICY

The key objectives of the Policy shall *inter-alia* include the following: -

1. To guide the Board in relation to appointment / re-appointment / removal of Directors;
2. To devise criteria for performance evaluation of the Independent Directors and the Board as a whole;
3. To devise a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors.

## 3. APPOINTMENT / RE-APPOINTMENT / REMOVAL OF DIRECTOR

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person who is considered for being appointed / re-appointed as Director of the Bank and apply due diligence in compliance with the Banking Regulation Act, 1949, Reserve Bank of India directives on “Fit & Proper” criteria, all other applicable provisions of the Companies Act, 2013 and SEBI LODR including any amendments thereto from time to time.

The Committee shall obtain all applicable declarations and undertaking as provided under Banking Regulation Act, 1949, RBI Guidelines, The Companies Act, 2013, Companies (Appointment and Qualification of Director) Rules, 2014, SEBI Guidelines, SEBI LODR and ensure that the proposed person is not ineligible to be appointed / re-appointed as a Director of the Bank under any of the applicable laws or regulations. In case of Independent Directors, the Committee shall ensure that the Independent Directors meet the criteria of independence as laid down in the Companies Act, 2013.

While recommending any potential new Board member(s)/re-appointment of existing member(s) to the Board, the Committee shall consider the following: -

- a) The professional and personal ethics, integrity and track record;
- b) Special knowledge or practical experience in banking, accountancy, agriculture and rural economy, co-operation, economics, finance, law, small-scale industry, Information Technology, Payment & Settlement Systems, Human Resources, Risk Management, Business Management or any other field useful to the banking company in the opinion of Reserve Bank of India;
- c) Ability to provide insights and practical wisdom based on their experience and expertise relevant to the Bank’s line of business;
- d) Details of his / her association with other companies / LLPs / firms (including NBFC);
- e) Details of substantial interest in other companies / LLPs / firms (including NBFC);
- f) Details of financial facilities, if any, availed from the Bank;
- g) Details of default in the repayment of loans availed from the Bank or any other bank, if any;
- h) Commitment to enhancing stockholder value;
- i) Ability to develop a good working relationship with members of the Board and

- contribute to the working relationship with senior management of the Bank;
- j) Whether he / she suffers from any of the disqualifications envisaged under the provisions of Banking Regulation Act, 1949, Companies Act, 2013 and SEBI LODR; and
- k) Any other factors as the Committee may deem fit to consider in the best interests of the Bank and its stockholders

Further according to section 10A(2) & section 10A(2A) of Banking Regulation Act, 1949 and Reserve Bank of India's circular on 'Special knowledge or practical experience useful to banking companies' dated November 24, 2016 –

(a) not less than fifty-one per cent, of the total number of members of the Board of directors of a banking company shall consist of persons, who-

(i) shall have special knowledge or practical experience in respect of one or more of the following matters, namely: -

- accountancy,
- agriculture and rural economy,
- banking,
- co-operation,
- economics,
- finance,
- law,
- small-scale industry,
- any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the banking company:

Provided that out of the aforesaid number of directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small-scale industry; and

(ii) shall have special knowledge/experience in the fields of Information Technology, Payment & Settlement Systems, Human Resources, Risk Management and Business Management.

(iii) shall not-

- have substantial interest in, or be connected with, whether as employee, manager or managing agent, -
- any company, not being accompany registered under section 25 of the Companies Act, 1956 (1 of 1956), or
- any firm, which carries on any trade, commerce or industry and which, in either case, is not a small-scale industrial concern, or
- be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern.

(b) Notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956), or in any other law for the time being in force, -

- no director of a banking company, other than its chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years;

- a chairman or other whole-time director of a banking company who has been removed from office as such chairman, or whole-time director, as the case may be, under the provisions of this Act shall also cease to be a director of the banking company and shall also not be eligible to be appointed as a director of such banking company, whether by election or co-option or otherwise, for a period of four years from the date of his ceasing to be the chairman or wholetime director as the case may be.

The Committee shall ensure that the composition of the Board is in conformity with the provisions of the Banking Regulation Act, 1949, Companies Act, 2013, SEBI LODR, RBI guidelines and all other applicable laws and regulations.

The upper age limit for Non-Executive Directors, including the Chair of the Board, shall be 75 years and after attaining the age of 75 years no person can continue on these positions. The total tenure of Non-Executive Directors, continuously or otherwise, on the Board of the Bank, shall not exceed eight years. After completing eight years on the Board of the Bank the person may be considered for re-appointment only after a minimum gap of three years. The upper age limit for Managing Director & CEO and whole-time Director shall be 70 years and no person can continue as Managing Director & CEO or whole-time Director beyond the age of 70 years.

The Nomination & Remuneration Committee will determine whether a prospective candidate for directorship is 'fit & proper' according to the regulatory guidelines, to be appointed / re-appointed as a Board Member. All the prospective candidates 'fit & proper' are to be referred to the Board for deciding on appointment/re-appointment of the candidates on the Board of the Bank. In case a candidate is found to be not 'fit & proper' by the Committee, the reason for the same is to be informed to the Board. This will ensure transparency in the process of selection of directors and in the functioning of the Board.

For appointment / re-appointment / removal of Directors of the Bank, the provisions of Companies Act, 2013 and SEBI LODR shall apply to the extent applicable unless provided in the Banking Regulation Act / RBI guidelines. Whenever any of the provisions of Banking Regulation Act, 1949 / RBI guidelines (including the amendments thereto) comes into conflict with the provisions of the Companies Act, 2013 / SEBI LODR (including any subsequent modifications thereof), the provisions of Banking Regulation Act / RBI guidelines shall prevail.

#### **4. EVALUATION OF DIRECTORS**

The Committee and the Board shall put in place a mechanism for the review of performance of each independent Director, non-executive Director and whole-time Director on the Board of the Bank. The review of performance shall be undertaken once in a financial year. Based on the review of performance, the Board may recommend for the continuance, re-appointment or removal of Directors.

#### **5. TRAINING OF INDEPENDENT DIRECTORS**

The Bank shall provide suitable training to independent Directors to familiarize them with the Bank, their roles, rights, responsibilities in the Bank, nature of the industry in which the



Bank operates, business model of the Bank, etc. The familiarization programme may include presentations to the Board by the business or regional heads on the performance of the Bank with respect to various business parameters, presentations on organizational structure of the Bank, etc. The details of such training imparted shall be disclosed in the Annual Report.

## **6. BOARD DIVERSITY**

Pursuant to SEBI LODR, the Bank has devised the Policy on Board Diversity to ensure adequate diversity in the Board of Directors. The Bank believes that diversity underpins the successful operation on an effective Board and embraces diversity as a means of enhancing the business. With a view to achieve sustainable and balanced development, the Bank sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives. A diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors.

## **7. REMUNERATION CRITERIA OF NON- EXECUTIVE / INDEPENDENT DIRECTORS**

The Non- Executive / Independent Directors are paid sitting fees for attending each meeting of the Board of Directors or any Committees of the Board and their expenses for attending such meetings shall be reimbursed in compliance with the provisions of the Companies Act, 2013, SEBI LODR and other regulatory guidelines, as amended from time to time. The Board has the flexibility to enhance the sitting fees up to the maximum limit allowed by the Companies Act, 2013. The Board while recommending the change in the sitting fees considers various factors including size and complexity of organization, regulatory guidelines and sitting fees paid to Directors in peer banks.

Subject to the compliance with the provisions of Companies Act, 2013, the Board may on the recommendation of the Nomination & Remuneration Committee, after taking into account the profitability of the Bank for each financial year, approve the payment of an annual commission payable to each non-executive (other than nominee Directors) / independent Directors of the Bank for each financial year or part thereof. Where a Director has left the Bank before the completion of a financial year or before approving the payment of commission by the Board, the Board may in its absolute discretion sanction such amount as commission to such Director for his services during the period for which the commission was fixed.

In additions to sitting fees and expenses related to attending meetings of the Board and its Committees as per extant statutory norms/practices, the Bank shall provide for payment of compensation to Non-Executive Directors in the form of fixed remuneration commensurate with an individual Director's responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such fixed remuneration for a Non-Executive Director, other than Chair of the Board, shall be subject to any such limits as may be prescribed under any Statutory Act, rules, regulations or circulars for the time being in

force applicable to the Bank.

The executive Directors shall be paid remuneration as decided by the Board on the recommendation of the Nomination & Remuneration Committee and with the prior approval of Reserve Bank of India.

An Independent Director shall not be entitled to any stock option of the Bank.

The Bank shall ensure compliance of the Companies Act, 2013, SEBI LODR and other regulatory guidelines with respect to any remuneration paid to Directors.

## **8. EFFECTIVE DATE**

This “Nomination & Remuneration Policy of Board (Version 6.0)” will be effective from the date of approval by the Board.

## **9. AMENDMENTS TO THE POLICY**

The Policy is valid for a period of 1 year from the date of approval by the Board of Directors of the Bank. In case of any amendment (s), clarification (s), circular (s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly.

The Board has the power to replace this Policy entirely with a new Policy on recommendation by the Nomination & Remuneration Committee.