



**NOMINATION AND REMUNERATION
POLICY**

2023

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1. Preamble

The Nomination and Remuneration Policy (“NRC Policy”) of STCI Primary Dealer Limited (“the Company”) has been prepared in accordance with the requirements of the Companies Act, 2013, (“Act”) read along with the rules thereto, if any applicable. The Nomination and Remuneration Committee has been constituted in line with the requirements of the Companies Act, 2013 read along with the rules thereto (including any statutory modification(s) or re-enactment thereof for the time being in force) and as stipulated by the Master Directions of Reserve Bank of India (RBI) for Non-Banking Financial Companies (NBFCs) and Standalone Primary Dealers (SPD).

In accordance with the RBI Circular dated October 22, 2021, on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs (“RBI SBR Framework”), the Company as Standalone Primary Dealer has been categorized within the NBFC Middle Layer (“NBFC-ML”) and shall be required to adhere with the regulatory provisions, as applicable to a NBFC-ML.

This NRC Policy has been prepared in accordance with the requirements stipulated on the Corporate Governance norms for NBFCs in the said RBI SBR Framework and subsequently laid down in the RBI Circular dated April 29, 2022, on the “Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management of NBFCs”.

This Policy additionally includes a ‘Compensation Policy’ and shall jointly be regarded as The Nomination & Remuneration Policy (“NRC Policy”) of the Company.

2. Objective

The objective of the Policy is to provide a framework for the constitution and remuneration of the Directors, Key Managerial Personnel (KMP) and Senior Management of the Company and also inter alia look into the following.

- i. To formulate the criteria for determining qualifications, competencies, and independence of Directors and guide the Board in relation to appointment and removal of a Director (executive/non-executive/independent) of the Company ;
- ii. To formulate the criteria for determining qualifications, competencies and guide the Board in relation to appointment and removal of Key Managerial Personnel (KMP) and Senior Management of the Company;
- iii. To determine the manner for effective evaluation of performance of Board and its Committees and individual Directors;
- iv. To recommend to the Board, the Compensation Policy (forming part of the Nomination & Remuneration Policy) on the remuneration structure payable to the Key Managerial Personnel and Senior Management.

- v. To closely coordinate with the Risk Management Committee (RMC) of the Company for achieving effective alignment between compensation & risks assumed.

3. Definitions

- a. **Board** means the Board of Directors of the Company.
- b. **Committee** means the Nomination and Remuneration Committee of the Company.
- c. **Director:** For the purpose of this Policy and as provided in Section 2 (34) of the Companies Act, 2013, Director means a Director appointed to the Board of the Company.
- d. **Executive Director** means a Whole Time Director as defined in clause (94) of section 2 of the Companies Act, 2013.
- e. **Independent Director** means a Director, other than a Managing Director or Whole-time Director or Nominee Director, who satisfies the criteria referred to in sub-section (6) of section 149 of Companies Act, 2013 and the Rules framed thereunder.
- f. **Key Managerial Personnel (KMP):** For the purpose of this Policy and as provided in Section 2 (51) of the Companies Act, 2013, means—
 - (i) Chief Executive Officer or the Managing Director or the Manager.
 - (ii) Whole-time Director, if any
 - (iii) Chief Financial Officer
 - (iv) Company secretary
 - (v) Such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board: and
 - (vi) Such other officer as may be prescribed.For the purpose of this Policy, Deputy Managing Director, appointed, if any, shall be regarded as KMP of the Company.
- g. **Managing Director:** For the purpose of this Policy and as provided in Section 2 (54) of the Companies Act, 2013, Managing Director means a Director, who by virtue of the Articles of the Company or an agreement with the Company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the Company and includes a Director occupying the position of Managing Director, by whatever name called.
- h. **Nominee Director:** For the purpose of this Policy and as defined in Section 149 (7) of the Companies Act, 2013 for the purpose of that Section, means a Director nominated by any financial institution in pursuance of the provisions of any law for the time being in force,

or of any agreement, or appointed by any Government, or any other person to represent its interests.

- i. **Non-Executive Director** means a director other than an Executive Director and Managing Director of the Company.
- j. **Senior Management:** For the purpose of this Policy and as provided in the Section 178 of the Companies Act, 2013, **Senior Management** means personnel of the Company who are members of the core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

For the purpose of this Policy, the Company 'Senior Management' shall include

- Designation/officials which are appointed & approved by the Board of Directors;
- Officials within the Senior Management Grade of the Company's HR Policy.

- k. **Whole-Time Director** includes a director in the whole-time employment of the Company.

Unless expressly mentioned, terms or reference to any words or expressions used herein shall have the same meanings respectively as defined/assigned under the Companies Act, 2013 or any Rules framed thereunder or to the applicable directions/circulars of RBI as the case may be.

4. Nomination & Remuneration Committee

4.1. Composition of Committee

- i. **Composition:** The Committee shall consist of minimum three (3) or more Non-Executive Directors, out of which not less than one-half shall be Independent Directors.
- ii. **Quorum:** Minimum two (2) members or one third of the Members of the Committee whichever is greater, provided minimum one Independent Director shall be present at the meeting to constitute a quorum for the Committee meeting.
- iii. **Chairperson**
 - a) Chairperson of the Committee shall be an Independent Director.
 - b) Chairperson of the Company, if any, may be appointed as a member of the Committee but shall not be a Chairperson of the Committee.
 - c) The members of the Committee may elect from amongst themselves a Chairperson for the meeting, who shall necessarily be an Independent Director.

4.2. Role of Committee

The role of the Committee inter alia shall be as under:

- i. To identify persons who are qualified to become Director(s) and recommend to the Board their appointment.
- ii. To consider and recommend to the Board the removal of Director(s).
- iii. To identify persons who may be appointed as Key Managerial Personnel and/or Senior Management and recommend their appointment to the Board.
- iv. To consider and recommend to the Board the removal of Key Managerial Personnel and/or Senior Management.
- v. To formulate criterion for determining qualifications, competencies, positive attributes, and Independence of a Director.
- vi. To frame, review and recommend to the Board, a Compensation Policy relating to the remuneration structure for the Key Managerial Personnel and Senior Management along with oversee implementation of the same.
- vii. To specify the manner for effective evaluation of performance of the Board, its Committees and individual directors to be carried out either by the Board or by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance and recommend to the Board appointment /removal of a director based on his/her performance.
- viii. To ensure that level and composition of remuneration is reasonable and sufficient to attract and retain talent and that the relationship of remuneration to performance is clear and transparent and meets appropriate performance benchmarks.
- ix. To develop a succession plan for KMP and Senior Management and to regularly review the plan.
- x. To review the HR Policies (manual and employee handbook), compensation structure, PLVP structure and to align the same to the industry best practices.
- xi. To closely coordinate with the Risk Management Committee (RMC) of the Company to achieve effective alignment between compensation & risks assumed.
- xii. Any other matter, as required to be performed under the regulatory requirements or by statute or as may be delegated by the Board of Directors.

4.3. Frequency of meetings

The Committee shall meet as frequently as required to perform its functions provided that there shall be at least two (2) meetings in a financial year.

4.4. Conduct of Meetings

- i. A member of the Committee shall not be entitled to be present at a meeting when his/her own re-appointment is discussed at the meeting or when his/her performance is being evaluated.

- ii. The Committee may invite the Managing Director or the Senior Management or such officers/employees of the Company and/or other external HR Consultants, as it considers appropriate, to be present at the meetings of the Committee.
- iii. The Company Secretary of the Company shall act as the Secretary to the Committee for noting the proceeding of the meetings and shall be considered 'in attendance' at the meetings of the Committee.

4.5. Duties of Committee

The duties of the Committee in relation to nomination matters include:

- i. Ensuring that the Directors meet the "Fit and Proper" criteria at the time of their appointment / re-appointment and also a confirmation by way of declaration is obtained from the existing directors.
- ii. Ensuring that the person considered for appointment/re-appointment as a Director is not disqualified to act as Director under applicable law.
- iii. Ensuring that on appointment to the Board, Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013.
- iv. Determining the appropriate size, diversity and composition of the Board.
- v. Setting a formal and transparent procedure for selecting Directors for appointment to the Board.
- vi. Ensuring that there is an appropriate induction & training programme in place for Directors.
- vii. Ensure that there exists no conflict of interest in the appointment of Directors on the Board of the Company, Key Managerial Personnel & Senior Management.
- viii. Developing a succession plan for the Key Managerial Personnel and Senior Management and regularly reviewing the plan.
- ix. Specifying the manner for effective evaluation of performance of Board, its Committees and individual directors to be carried out either by the Board or by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- x. Reviewing the performance of Key Managerial Personnel (KMP) and Senior Management in the context of the overall Company's performance.
- xi. Recommending to the Board any matters pertaining to the office of Director including but not limited to appointment, termination, etc.
- xii. Recommending refreshing the Board, as and when required.
- xiii. To ensure that level and composition of remuneration is reasonable and sufficient to attract and retain talent and that the relationship of remuneration to performance is clear and transparent and meets appropriate performance benchmarks.

- xiv. To frame, review and oversee implementation of the Compensation Policy relating to the remuneration of the Key Managerial Personnel and Senior Management of the Company by maintaining a balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company.
- xv. To ensure that compensation levels are in alignment with the need to support adequate capital and to maintain growth & earning profile of the Company.
- xvi. To delegate any of its powers to one or more members of the Committee.
- xvii. Any other matter, as required under the Act, regulation or as may be delegated by the Board of Directors.

5. Policy relating to appointment, removal & remuneration of Directors.

5.1. Criteria to be considered while appointing Directors.

The Nomination & Remuneration Committee shall ascertain the integrity, age, qualification, expertise and experience of the person identified for appointment as Director and recommend to the Board his/her appointment. The Committee shall have the discretion to decide whether qualification, expertise and experience possessed by the person are sufficient / satisfactory for the position.

The Committee shall consider, inter alia, the following indicative factors while determining the eligibility for appointment of Directors:

- i. The overall experience of the Directors in the relevant field/industry of their expertise.
- ii. Educational qualifications, professional achievements, including specialised qualifications in relevant areas like business / strategic management, finance, marketing, risk, compliance, legal, HR, etc.
- iii. Background of the Director and the field of his/her work/specialisation.
- iv. Any other relevant criteria pertaining to professional qualification, experience and/or as deemed fit by the Committee in line with various statutory and regulatory requirements.

Further, in determining the independence of the Director (applicable for appointment/re-appointment of Independent Directors), the Committee shall also be governed by the criteria of independence as specified in Section 149(6) and other applicable provisions, if any, of the Companies Act, 2013 and any other regulation, as may be applicable from time to time. In addition and within the permissible limits in terms of the Companies Act, 2013, a Director proposed to be appointed as 'Independent Director' shall not be on the Board of more than three (03) NBFCs (NBFC-Middle Layer or NBFC-Upper Layer) at the same time. A timeline of two (02) years with effect from October 01, 2022, is to be observed for ensuring compliance with such NBFCs directorship norms for the already appointed Independent Director(s) of the

Company. The Committee and the Board shall ensure that there is no conflict arising out of the 'Independent Director' being on the Board of another NBFC at the same time. There shall be no restriction to directorship of the Independent Director(s) on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013.

The Committee at the time of considering appointment of a Director shall ensure that the Board comprises of a judicious mix of Executive, Non-Executive and Independent Directors (minimum two as per the Act) satisfying the criteria as stipulated under the Act for the Independent Directors, Directors liable to retire by rotation and Whole Time Director(s) (if any). The Committee shall ensure that at least one Director on the Board possesses relevant prior experience of having worked in a Bank / NBFC.

The Managing Director/Managing Director & CEO of the Holding Company viz STCI Finance Limited, if appointed to the Board of the Company, would be designated as Non-Executive Director. Further, a person in employment of Bank of India or a person appointed as Non-Executive Director in Bank of India or any of its associates/subsidiaries and if appointed to the Board of the Company, she/he would also be designated as Non-Executive Director.

Any person who has been proposed to be appointed as a Director on Board and who does not fall among these criteria mentioned above would be designated as Independent / Non-Executive Director based on

- i. whether the criteria of independence as specified in Section 149(6) and other applicable provisions, if any, of the Companies Act, 2013 is satisfied and
- ii. the existing constitution of the Board in terms of number of Non-Executive and Independent Directors at the time of appointment in order to maintain a judicious mix of Directors is in line with the requirements of the Companies Act.

5.2. Fit and proper criteria

The Board of Directors play a key role in providing strategic direction and guidance to the Company and the importance of due diligence of Directors to ascertain suitability for the post by way of qualifications, expertise, track record, experience, integrity, etc. remains paramount for any financial institution. In order to ascertain the suitability of a person to be appointed/re-appointed as a Director, the following "Fit and Proper" criteria as laid out by various statutes and regulations, for the selection of the Director shall be followed.

- i. The Nomination and Remuneration Committee of the Company shall undertake a process of due diligence to determine the suitability of the person for appointment/re-appointment as a Director on the Board, based upon various criteria like qualification, experience, expertise, track record, integrity, etc.
- ii. The Nomination and Remuneration Committee shall obtain and scrutinize declaration and undertaking from the Director, proposed to be appointed, giving additional information on the Directors, in the prescribed format.

- iii. The Nomination and Remuneration Committee shall obtain an executed Deed of Covenant as prescribed by RBI.
- iv. The Nomination and Remuneration Committee shall obtain from Directors either annual declaration stating that the information already provided has not undergone any change and where there is any change, requisite details are furnished by them forthwith and an updated declaration and undertaking is obtained from the Directors in the prescribed format.
- v. The Nomination and Remuneration Committee shall obtain such other information or declarations from the existing /proposed Directors to decide on their appointment/re-appointment, as the case may be.

5.3. Term & Tenure

The Non-Executive Directors shall be liable to retire by rotation in accordance with the provisions of Section 152(6)(c) of the Companies Act, 2013 which stipulates that in every Annual General Meeting (AGM), at least one-third of the directors shall be liable to retire from office on rotational basis, and may be eligible for re-appointment subject to an ordinary resolution passed at the Annual General Meeting (“AGM”) of the Company. Independent Directors shall not be liable to retire by rotation and shall be appointment for fixed tenure/term as approved by the Board and the Shareholders and as stipulated under the Companies Act, 2013 and the rules framed thereto.

Subject to the Board’s decision and Shareholders’ resolution, an Independent Director shall be eligible to hold office for a term of up to five (5) years on the Board of the Company. Further, she/he shall be eligible for re-appointment, subject to fulfilment of criteria as laid down in various statutes and regulations, for a further term as may be decided and approved by the Directors of the Board and the Shareholders by passing of a special resolution at the General Meeting of the Company. As stipulated in the Companies Act, 2013 and the rules framed thereto, the Independent Director shall be appointed for a maximum of two (2) consecutive terms.

The Company shall not appoint any individual as Managing Director who has attained the age of sixty (60) years. Provided that further re-appointment beyond the age of sixty (60) years, shall be at the discretion of the Board with the approval of Shareholders by passing a special resolution at the General Meeting based on the explanatory statement annexed to the notice for such motion indicating the justification for such appointment/re-appointment. Further, provided that the original contractual term of appointment shall prevail for the Managing Director of the Company who has already been appointed for a pre-determined tenure and subsequently attains the age of sixty (60) years in office.

The Company shall not appoint as Director (Non-Executive or Independent), any individual who has attained the age of seventy (70) years. Provided that further re-appointment beyond the age of seventy (70) years, shall be at the discretion of the Board with the approval of

Shareholders by passing a resolution at the General Meeting based on the explanatory statement annexed to the notice for such motion indicating the justification for such appointment/re-appointment. Further, provided that the original contractual term of appointment shall prevail for any Director of the Company who has already been appointed for a pre-determined tenure and subsequently attains the age of seventy (70) years in office.

5.4. Appointment of Director

The invitation to join the Board shall be extended on behalf of the Board, by the Managing Director. For identification of prospective Directors, the Committee shall be supported by a proposal for appointment/re-appointment of a Director either from the Managing Director or from the Holding Company (viz STCI Finance Limited) or such person as per Section 160 of the Companies Act, 2013. On receipt of requisite declarations and documents as required under the Companies Act, 2013 and the rules framed thereunder and RBI Guidelines, the said proposal shall be placed to the Nomination and Remuneration Committee for their consideration. The Nomination & Remuneration Committee on being satisfied on the evaluation of the "Fit & Proper Criteria" and other eligibility criteria as laid down under the Act and regulations, shall recommend the induction of Director(s) to the Board of the Company. The new Director shall be apprised of the working of the Company and various Codes of Conduct adopted by the Company in its functioning. The Director, on appointment, shall be required to execute Deed of Covenant, as per the regulatory requirements.

In case of appointment/re-appointment of a Director, the Shareholders shall be provided with a brief profile of the Director and nature of his expertise in specific functional areas as part of the explanatory statement as required to be appended to the notice of the General Meeting, when such appointment/re-appointment shall be taken up for approval at a General Meeting of the Shareholders.

5.5. Removal

On account of reasons for any disqualification mentioned in the Companies Act, 2013, rules and regulations made thereunder or under any other applicable Act, the Nomination and Remuneration Committee may recommend to the Board with reasons recorded in writing, the removal of a director, subject to the provisions and compliance of the Act, rules and regulations.

5.6. Remuneration

Non-Executive Directors/ Independent Directors shall be paid sitting fees for attending the Board and Committee Meetings. The sitting fees to be paid to Directors shall be determined by the Nomination and Remuneration Committee and recommended to the Board for approval. The sitting fees to be paid shall be within limits prescribed under the Companies

Act, 2013 and the Rules made thereunder as also other applicable regulations, if any. A Non-Executive Director/Independent Director shall be entitled to remuneration/compensation which would include sitting fees, conveyance for attending the meeting and/or any other expenses incidental for participation in the Board and/or Committee meeting. Managing Director shall not be entitled to the payment of sitting fees for attending the Board/Committee Meeting.

The review of the sitting fees shall be done every two years by the Nomination and Remuneration Committee, pursuant to a proposal for review of sitting fees being placed before the Nomination and Remuneration Committee by the Managing Director. The Nomination and Remuneration Committee shall review the sitting fees and the recommendation for revision, if any, shall be made by the Nomination and Remuneration Committee to the Board for their deliberations and approval, as per the provisions of the Companies Act, 2013 and the Rules made thereunder and any other applicable regulations.

In compliance with the Section 197, 198 of the Companies Act, the Directors' Remuneration shall be within the overall limits stipulated under Schedule V of the Act or any other applicable provisions of the Act or Rules made thereunder or any applicable directions of RBI, as the case may be.

6. Policy relating to appointment, removal & remuneration of Managing Director

6.1. Appointment

The Committee shall ascertain the integrity, qualification, expertise, and experience of the person identified for appointment as Managing Director and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the position. The Committee shall ensure that the person identified for the position of the Managing Director shall not hold any office (including Directorships) in another NBFC- Middle Layer or NBFC- Upper Layer except NBFC – Base Layer, as prescribed under the RBI SBR Framework.

In line with Section 197, 198 and other applicable sections, if any, of the Companies Act, 2013 and the rules framed thereto, the Managing Director shall be appointed for a tenure of five (5) years or as approved by the Board and the Shareholders of the Company and such appointment may be renewed, subject to satisfactory performance, upon expiry of the tenure and subject to recommendation by the Nomination and Remuneration Committee and approval of the Board, and subsequent approval of the Shareholders.

6.2. Term & Tenure

In line with Section 197, 198 and other applicable sections, if any, of the Companies Act, 2013 and the rules framed thereto, the Managing Director shall be appointed for a tenure of five

(5) years or as approved by the Board and the Shareholders of the Company and such appointment may be renewed, subject to satisfactory performance, upon expiry of the tenure and subject to recommendation by the Nomination and Remuneration Committee and approval of the Board, and subsequent approval of the Shareholders.

6.3. Removal

On account of reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, or on the basis of the performance evaluation, the Committee may recommend to the Board with reasons recorded in writing, removal of the Managing Director, subject to the provisions and compliance of the said Act, rules and regulations.

6.4. Remuneration

The Managing Director shall be paid remuneration in line within the limits as prescribed under the Companies Act, 2013 and the rules framed thereto and subject to approval by the Board and the Shareholders of the Company. The provisions on the remuneration structure of the Managing Director has been detailed and laid down in the 'Compensation Policy', which forms part of this Policy.

The terms of service including remuneration of the Managing Director, shall be reviewed by the Nomination and Remuneration Committee and recommended to the Board on an annual basis. The remuneration cycle shall be from 1st April to 31st March of every financial year. The revision in the remuneration payable to the Managing Director, if any, shall be from the beginning of the financial year i.e., 1st April of the year, unless otherwise required under any regulatory requirements.

The remuneration payable to the Managing Director shall be determined at the time of appointment of the Managing Director and shall be subject to an annual review after the approval of the audited annual accounts of the Company and after completion of the Statutory/CAG audit processes. Revision of remuneration of Managing Director, if any, would be decided by the Nomination and Remuneration Committee keeping in view the operational and financial performance of the Company. If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to the Managing Director in accordance with the provisions of Schedule V of the Act.

7. Policy relating to appointment, removal & remuneration of KMP (excluding Managing Director) and Senior Management

7.1. Appointment

The Committee shall ascertain the integrity, qualification, expertise, and experience of the person identified for appointment as a KMP (excluding Managing Director) and as part of the Senior Management and recommend to the Board his/her appointment. The Committee shall

have the discretion to decide whether integrity, qualification, expertise, and experience possessed by a person is sufficient / satisfactory for the position.

The Committee shall ensure that the person identified for the position of the KMP (excluding Managing Director) shall not hold any office (including Directorships) in any other NBFC- Middle Layer or NBFC- Upper Layer except NBFC- Base Layer, as prescribed under the RBI SBR Framework.

The appointment of KMPs (excluding Managing Director) and Senior Management, shall be based on a proposal submitted by the Managing Director to the NRC and by means of an interview, by a panel comprising of at least, the Managing Director, a member of the Nomination & Remuneration Committee and a member of the Board and then recommended to the Board for approval.

Further, the proposal for promotion to a higher grade of an existing KMP (excluding Managing Director) and Senior Management shall be based on a proposal submitted by the Managing Director to the NRC and by means of an interview by a panel comprising of at least, the Managing Director, a member of the Nomination & Remuneration Committee and a member of the Board and then recommended to the Board for approval.

7.2. Term & Tenure

The KMP (excluding Managing Director) and Senior Management of the Company shall be appointed by the Board in accordance with the statutory and regulatory requirements, subject to recommendation by the Committee and subsequent approval of the Board.

7.3. Removal

On account of reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, or on basis of the performance evaluation, the Committee may recommend to the Board with reasons recorded in writing, removal of a KMP (excluding Managing Director) and/or Senior Management of the Company, subject to the provisions and compliance of the said Act, Rules and Regulations.

7.4. Remuneration

Remuneration payable to a KMP (excluding Managing Director) and Senior Management of the Company shall be as per the HR Policy of the Company and in compliance with applicable regulatory requirements. The provisions on the remuneration structure of the KMP (excluding Managing Director) and Senior Management are detailed and laid down in the 'Compensation Policy' which forms part of this Policy. Annual review in the existing remuneration structure of a KMP and Senior Management of the Company shall be made by the Managing Director in line with the HR policy.

8. Minutes of Committee meetings

Proceedings of all meetings shall be minuted and signed by the Chairperson of the Committee who presided over the meeting or the Chairperson of the subsequent meeting in which minutes are confirmed. Duly approved minutes of the Committee meetings shall be tabled at the subsequent Board and Committee meeting for noting and/or approval, as the case may be. Signed copies of the minutes shall subsequently be made available to all the Committee members for their records.

9. General Provisions

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, may be made if there are specific reasons to do so in exceptional circumstances.

In the event, any provisions contained in this Policy are inconsistent with the provisions contained in the Companies Act, 2013 or any Rules framed thereunder or to the applicable directions of RBI, etc. or any amendments thereto (Statutory Acts), then the provisions contained in the Statutory Acts shall prevail.

The Board on its own and/ or due to any regulatory requirement/amendment can amend this Policy, as and when deemed fit. The Board reserves the right to alter, modify, add, delete, or amend any of the provisions of the Policy.

This Policy will be reviewed annually, or in the interim, should there be a change/amendment in regulations.



COMPENSATION POLICY

(Annexure to the Nomination & Remuneration
Policy of the Company)

2023

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1. Preamble

In accordance with the RBI Circular dated October 22, 2021, on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs (“RBI SBR Framework”), the Company as a Standalone Primary Dealer has been categorized within the NBFC Middle Layer (“NBFC-ML”) and shall be required to adhere with the regulatory provisions, as applicable to NBFC-ML.

In furtherance to the said RBI SBR Framework, Reserve Bank of India (“RBI”) vide Circular dated April 29, 2022, titled ‘Guidelines on Compensation of Key Managerial Personnel (“KMP”) and Senior Management in NBFCs’ (“RBI Compensation Circular”) stipulated the broad guidelines based on which the NBFCs and the Nomination & Remuneration Committee shall formulate the compensation policy, which aligns the remuneration structure of the KMP and Senior Management.

This Compensation Policy (“Policy”) of STCI Primary Dealer Limited (“the Company”) has been prepared in accordance with the requirements stipulated on the Corporate Governance norms for NBFCs in the said RBI SBR Framework and subsequently laid down in the RBI Compensation Circular. The Policy shall be read in conjunction with the applicable requirements of the Section 178 of the Companies Act, 2013, (“the Act”) read along with rules thereto.

This Compensation Policy shall constitute a part of the Nomination & Remuneration Policy (“NRC Policy”) of the Company.

2. Scope of the Policy

This Compensation Policy lays down a broad framework for the remuneration structure payable to the Key Managerial Personnel and Senior Management of the Company by maintaining a reasonable balance between fixed and variable component reflecting the short & long-term performance objectives of the Company and alignment with the regulatory requirements.

3. Objective of the Policy

The Policy seeks to achieve the following objectives:

- i. To attract, retain, motivate, and ensure long term association of the Key Managerial Personnel and Senior Management with the Company.

- ii. To align the reward and recognition mechanism directly to the effort, commitment, performance, dedication, and achievement of the Key Managerial Personnel and Senior Management relating to the Company's operations.
- iii. To prescribe the performance measurement parameters for assessing the overall performance of the Key Managerial Personnel and Senior Management of the Company.

4. Definitions

- a. **Clawback arrangement:** For the purpose of this Policy and as provided in the RBI Compensation Circular, "Clawback arrangement" means a contractual agreement between the Key Managerial Personnel or Senior Management and the Company in which the KMP or Senior Management agree to return previously paid or vested remuneration to the Company under certain circumstances.
- b. **Malus arrangement:** For the purpose of this Policy and as provided in the RBI Compensation Circular, "Malus arrangement" means an arrangement that permits the Company to prevent vesting of all or part of the amount of a deferred remuneration.

Unless expressly mentioned, terms or reference to any words or expressions used herein shall have the same meanings respectively as defined/assigned in the NRC Policy or under the Companies Act, 2013 or any Rules framed thereunder or to the RBI SBR Framework or RBI Compensation Circular or the applicable Directions, Circulars of RBI, as the case may be.

5. Constitution of Nomination & Remuneration Committee

The Board of Directors of the Company has constituted the Nomination and Remuneration Committee in accordance with the provisions of Section 178 of the Companies Act, 2013, read along with the rules thereto (including any statutory modification(s) or re-enactment thereof for the time being in force) and as stipulated by the Master Directions of Reserve Bank of India (RBI) for Non-Banking Financial Companies (NBFCs) and Standalone Primary Dealers (SPDs).

The composition, role of the Nomination & Remuneration Committee and the duties of the Committee are laid down in the NRC Policy.

In accordance with the regulatory provisions & the framework prescribed in this Policy, the remuneration payable to the Key Managerial Personnel (KMP) and Senior Management shall be recommended by the Nomination and Remuneration Committee to the Board of Directors for their approval.

6. Risk alignment of the remuneration components

The Nomination and Remuneration Committee, while determining the remuneration of Key Managerial Personnel and Senior Management, shall adopt such risk alignment principles as stated hereunder:

- i. The remuneration is reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices.
- ii. The remuneration structure may comprise of the fixed pay components and variable pay components.
- iii. The remuneration structure is aligned effectively with prudent risk taking measures to ensure that the remuneration is adjusted for all types of risks and outcomes.
- iv. The remuneration pay-outs are sensitive to the time horizon of the risks and remuneration outcomes are symmetric with risk outcomes and consistent with risk alignment.

7. Remuneration Provisions

7.1. Remuneration Structure of the Managing Director (MD)

The Managing Director shall be paid remuneration in line within the limits as prescribed under the Companies Act, 2013, and the rules framed thereto, and subject to approval by the Board and the Members of the Company. The terms of remuneration payable to the Managing Director shall be reviewed on an annual basis and recommended by the Nomination & Remuneration Committee to the Board for their approval subject to the approval of the Members of the Company. The terms of remuneration of the Managing Director shall comprise of Fixed Pay & Variable Pay Components as enlisted hereunder:

7.1.1. Fixed Pay Components

The Company has adopted the “Cost to Company” (CTC) approach and in accordance with the applicable regulatory requirements, the fixed pay components of the remuneration payable to the Managing Director shall comprise of:

- a. **Pay** including Basic Pay, HRA, Special Allowance, Leave Travel Allowance, etc.
- b. **Retirement Benefits** like Provident Fund, Gratuity payable as per the payment of Gratuity Act
- c. **Other benefits** as per Company Policy including leave encashment, telephone charges reimbursement, meal vouchers, medical benefits only if insurance premium attributable to individual level (excluding the Group Medclaim insurance and/or term insurance policy as per Company's rules), etc d. **Other perquisites** like Company's car usage with personal driver (reimbursement of which will be as per Company rules), furnished residential accommodation in lieu of HRA.

7.1.2. Variable Pay Components

The variable pay components of the remuneration payable to the Managing Director shall comprise of:

- a. **Performance Linked Variable Pay (PLVP)** based on the performance of the Company, prevailing market conditions, competitive performance of the Company vis-vis the market and achievement of profitability target set by the Company. The percentage and the quantum of PLVP could vary from year to year as decided by the Board. The salient features of the PLVP Plan and the Star Performance Bonus Plan of the Company shall be deemed to form part of this Policy.

Managing Director shall not be entitled to sitting fees for participation in the Board and/or Committee meeting.

7.2. Remuneration Structure of the Key Managerial Personnel (excluding Managing Director) and Senior Management

The Key Managerial Personnel (excluding Managing Director) and Senior Management of the Company shall be paid remuneration in line with the HR Policy of the Company and in accordance with applicable regulatory requirements. . The terms of remuneration of the Key Managerial Personnel (excluding Managing Director) and Senior Management shall comprise of Fixed Pay & Variable Pay Components as enlisted hereunder:

7.2.1. Fixed Pay Components

In line with the HR Policy, the Company has adopted the "Cost to Company" (CTC) approach for Key Managerial Personnel (excluding Managing Director) and Senior Management, the fixed pay components of which shall comprise of:

- a. **Pay** including Basic Pay, HRA, Special Allowance, Leave Travel Allowance, Car Allowance/ Conveyance, Medical Allowance etc.
- b. **Retirement Benefits** like Provident Fund, Gratuity as per the payment of Gratuity Act
- c. **Other benefits** as per Company Policy including leave encashment, telephone charges reimbursement, meal vouchers, medical benefits only if insurance premium attributable to individual level (excluding the Group Mediclaim insurance and/or term insurance policy as per Company's rules), etc.

7.2.2. Variable Pay Components

The variable pay components of the remuneration payable to the Key Managerial Personnel (excluding Managing Director) and Senior Management shall comprise of:

- a. **Performance Linked Variable Pay ("PLVP")** is based on the Company's PLVP Plan or the Star Performance Bonus Plan, as the case may be, and is as approved by the Nomination & Remuneration Committee. The salient features of the PLVP Plan and the Star Performance Bonus Plan of the Company shall be deemed to form part of this Policy. The PLVP Plan and the Star Performance Bonus Plan ensures that proportion of variable pay is higher at higher levels of responsibility.

8. Deferral of Variable Pay

PLVP over & above a prescribed threshold shall be payable over a deferred period of years. The deferred period of years on payment of the Variable Pay in the form of PLVP over & above a specified threshold to the eligible Key Managerial Personnel and Senior Management has been stipulated in the PLVP Plan or Star Performance Bonus Plan.

9. Guaranteed Bonus

In line with the HR Policy of the Company, the Company does not follow the practice of providing 'Guaranteed Bonus' to any new hiring or as sign-in bonus, to the Key Managerial Personnel and Senior Management.

10. Malus/ Clawback Arrangement Provision

The variable pay remuneration including deferred pay, of the Key Managerial Personnel and Senior Management shall be subject to Malus or Clawback provisions. The Nomination & Remuneration Committee may invoke Malus and/or Clawback arrangement provision with respect to the Key Managerial Personnel and Senior Management in the following illustrative scenarios.

Illustrative list of scenarios are detailed herein:

- Gross negligence, reckless, or willful actions. However, errors of judgment shall not be construed to be breaches under this note.
- Material mis-statement of the Company's results.
- Fraud that requires financial re-statement.
- Reputational harm.
- Exercises his/her responsibilities in a malafide manner.
- Significant deterioration of financial health of the Company.
- Any other situation which the Nomination & Remuneration Committee considers fit, on invoking Malus and/or Clawback provision.

The Nomination & Remuneration Committee shall evaluate and decide, whether malus and/ or clawback provision would be applied to none, part, or all of the variable pay. While setting criteria for the application of malus and/or clawback arrangement, the Nomination & Remuneration Committee may also specify the period during which malus and/or clawback arrangement may apply, covering at least the deferral period.

11. Amendment and Review of Policy

In the event, any provisions contained in this Policy are inconsistent with the provisions contained in the Companies Act, 2013 or any Rules framed thereunder or to the applicable directions of RBI, etc. or any amendments thereto (Statutory Acts), then the provisions contained in the Statutory Acts shall prevail.

The Board on its own and/ or due to any regulatory requirement/amendment can amend this Policy, as and when deemed fit. The Board reserves the right to alter, modify, add, delete, or amend any of the provisions of the Policy.

This Compensation Policy shall be reviewed annually, or in the interim, should there be a change/amendment in the regulations.