

North East Small Finance Bank

Policy on directors' appointment and remuneration of directors

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1. Introduction

North East Small Finance Bank (NESFB)(hereinafter referred to as “the Bank”) recognizes its role as a corporate citizen and provides financial and other support services to the underprivileged households in the Northeast to improve their quality of life. They believe that the key anchor of their growth philosophy continues to be financial inclusion. The Bank shall seek to serve the unbanked and under-banked sections in the north-east region through a robust financing model focused on enabling livelihoods through credit and credit plus services.

The Bank's activities are carried out in accordance with good corporate practices and the Bank is constantly striving to better them and adopt the best practices. This policy seeks to document the practices and procedures to be followed by the Bank for appointment of directors and their remuneration.

The objective of the director's appointment and remuneration policy is to regulate the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), senior management and other employees as per the criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of the Companies Act, 2013 read with applicable Rules and Regulations under the Act and Securities and Exchange Board of India (SEBI) Notification Listing Obligations and Disclosure Requirements) Regulations, 2015

The policy shall ensure that the Bank has a Board with diverse background and experience in areas that are relevant for the Bank. It also seeks to lay down principles for fixing the remuneration/compensation to attract and retain the best suitable talent on the Board of the Bank.

2. Objectives

The key objectives of this policy are as under:

- Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors before their appointment
- Institutionalize a mechanism for the appointment/ removal/ dismissal of directors and lay down selection criteria for appointment of director
- Formulate criteria for determining qualifications, positive attributes and independence of directors
- Retain, motivate and promote talent and to ensure long term sustainability of talented KMP
- Devise a policy on Board diversity
- Develop and regularly review succession plan for the Board
- Formulate the criteria for evaluation of performance of all the Directors on the Board
- Establish standards on compensation/ remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry
- Define internal guidelines for payment of perquisites to the directors and KMP.

3. Applicability

All new appointments made in the Board of Directors and KMP will be covered under this policy. Further, the remuneration of all existing and new directors as well as KMP.

The policy shall be applicable to the following:

- Directors
- Key Managerial Personnel
- Senior Management
- Other Employees.

4. Appointment of Board and Directors

4.1 Board of Directors

The Board of Directors shall be responsible to ensure a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the Board

The Board of Directors of the Bank shall satisfy itself that there is a succession plans in place for appointment to the Board of Directors and senior management.

The Nomination and Remuneration Committee of the Bank shall identify persons who are qualified to become directors, who may be appointed in senior management in accordance with the applicable regulatory norms.

Composition

The Bank shall have a Board of Directors consisting of individuals as directors and shall have a minimum of three directors and maximum of fifteen directors with atleast one woman director. The Bank shall have at least one director who has stayed in India for a total period of not less than 180 days in the previous calendar year. The Board of the Bank should have a majority of Independent Directors. The Board of Directors of the company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the Board of Directors comprising of non-executive directors

Qualification

The Board of Directors of the Bank shall have not less than 51% of total directors should consist of persons who have special knowledge or practical experience in one or more of the following matters:

- Accountancy
- Agriculture and rural economy
- Banking
- Cooperation
- Economics
- Finance
- Law
- Small-scale industries
- Any other matter which RBI would consider to be useful to the Bank

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Not less than two shall be persons having special knowledge of agriculture and rural economy, cooperation or small-scale industry.

Not less than 51% of total directors to consist of persons who shall not:

- Have substantial interest– (holding beneficial interest by an individual or his spouse or minor child, whether singly or taken together in shares of a company / firm, the paid-up amount of which exceeds Rs.5 lakh or 10% of the paid-up capital of the company / firm, whichever is less)], or
- Be connected with, whether as employee, manager or managing agent of any company or any firm or
- Be proprietor of any firm
- Which carries on any trade, commerce or industry (other than SSI).

The director must meet the 'fit and proper' criteria as follows:

- The Board of Directors of the Bank while nominating/ co-opting directors should be guided by certain broad 'fit and proper' norms for directors, viz. formal qualification, experience, track record, integrity etc. For assessing integrity and suitability features like criminal records, financial position, and civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies, previous questionable business practices etc. should be considered. The Board of Directors may, therefore, evolve appropriate systems for ensuring 'fit and proper' norms for directors, which may include calling for information by way of self-declaration, verification reports from market, etc.
- The candidate should normally be a graduate (which can be relaxed while selecting directors for the categories of farmers, depositors, artisans, etc.).
- The Independent/Non-Executive Director should be between 35 and 65 years of age (Probably the upper age limit has been relaxed to 70 years).
- He / she should not be a Member of Parliament / Member of Legislative Assembly / Member of Legislative Council.
- The Director shall furnish his Director Identification Number and a declaration that he is not disqualified to become a director under this Act

Disqualification and Restrictions

The Bank shall not employ any persons as a Director

- Who is, or at any time has been adjudicated insolvent,
- Or has suspended payment or has compounded with his creditors,
- Or who is, or has been, convicted by a criminal court of an offence involving moral turpitude; or
- Whose remuneration or part of whose remuneration takes the form of commission or of a share in the profits of the company:
- Who is a director in any other Bank.

Restrictions

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The Bank shall not have more than three directors who are directors of companies which among themselves are entitled to have voting rights in excess of 20% of total voting rights of all shareholders of the Bank.

The Bank shall appoint any person as a Director if such person is on the Board of an NBFC only if the below conditions are complied with:

- He / she is not the owner of the NBFC, [i.e., share holdings (single or jointly with relatives, associates, etc.) should not exceed 50%],
- He / she is not related to the promoter of the NBFC,
- He / she is not a full-time employee in the NBFC.
- The concerned NBFC is not a borrower of the Bank.

4.2 Managing Director**Qualification**

The Whole time Chairman and MD of the Bank should have special knowledge and practical experience of, working of a Bank or a financial institution; or financial, economic or business administration. No company shall appoint or employ at the same time a managing director and a manager.

Disqualification and Restrictions

The Bank shall not be managed or employ or continue employment of any person:

- Who at any time has been adjudged as insolvent, suspended payments, compounded with creditors, convicted by a criminal court of offence involving moral turpitude, or
- Whose remuneration or part of it, takes the form of commission or share of profit of the Bank, or
- Whose remuneration, is in the opinion of RBI, excessive, or
- Who is a director of any other Bank (not being a subsidiary or Section 8 as per Companies Act, 2013), or
- Who is engaged in any other business or vocation* ; or
- Whose term of office is exceeding 5 years at any one time.

Tenor

A Managing Director or any other whole time Executive Directors of the Bank shall fulfil all conditions as applicable to the directors of the Bank. However the Chairman and whole time directors can hold office continuously for period exceeding 8 years, unlike other part-time directors who can hold office continuously for a period of 5 years. The Chairman and whole time directors, if removed from office, shall not be reappointed for a period of 4 years from the date of his ceasing to be the Chairman.

The Bank must have a whole time Chairman or Managing Director (MD) to manage the whole of the affairs of the Bank. The Bank shall have a full-time Chairman and a whole time Managing Director (MD). The appointment of Chairman on a part-time basis shall require RBI's prior approval.

The whole time MD shall be in whole time employment of the Bank and can hold office at a time for a period of 5 years. The Bank shall ensure that the MD has prior RBI approval to

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undertake part-time honorary work if it is not likely to interfere with his duties as MD of the Bank.

The Bank shall renew or extend the term of office of the Director by further periods not exceeding 5 years on each occasion subject to the condition that such renewal/extension shall not be sanctioned earlier than 2 years from the date on which the appointment is to come into force.

4.3 Independent Director

The Board of Directors and senior management shall facilitate the Independent Directors to perform their role effectively as a member of the Board of Directors and also a member of a committee of Board of Directors. The Nomination and Remuneration Committee of the Bank shall decide 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.

The Independent Directors of the Bank shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the Independent Directors shall strive to be present at such meeting.

Qualification

The Bank should appoint such persons as independent directors who in the opinion of the Bank, are persons with integrity, possessing relevant expertise and experience and who satisfy the below given criteria for independence. The Independent directors shall follow the Code of Conduct of the Bank which shall set out the duties of the Independent Directors.

Disqualification and Restriction

The Bank shall not consider any director of the promoter group entity or nominee director of investors as Independent Directors.-

The Bank shall not appoint such person as Independent Directors as follows:

- Who is or was not a promoter of the Bank or associate company;
- Who is not related to promoters or directors in the Bank or associate company
- Who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the Bank or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- None of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year.
- Who, neither himself, nor whose relative(s) —
 - A. holds or has held the position of a key managerial personnel or is or has been an employee of the Bank or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - B. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of -

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1. a firm of auditors or company secretaries in practice or cost auditors of the Bank or associate company; or
2. any legal or a consulting firm that has or had any transaction with the Bank subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - Holds together with his relatives two per cent or more of the total voting power of the Bank; or
 - Is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the Bank, any of its promoters, directors or associate company or that holds two per cent or more of the total voting power of the Bank;
 - Is a material supplier, service provider or customer or a lessor or lessee of the Bank;
 - The statutory audit firm or the internal audit firm that is associated with the company, and
 - The legal firm(s) and consulting firm(s) that have a material association with the company.

A person shall not serve as an independent director in more than seven listed entities. Any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three listed entities.

Tenor

The appointment of an Independent Director on the Board of Directors of the Bank shall be for a period up to 5 years from his/hereffective date of appointment, which can be extended for a further period of 5years subject to theapproval of shareholders.

No Independent Director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independentdirector.

5Re-appointment/ Retirement of Director

The re-appointment of independent director shall be on the basis of report ofperformance evaluation.The Bank shall re-appoint Chairman, MD onlyafter obtaining prior approval from RBI.

One third of the total number of directors (excluding independent directors) shall retire by rotation at every Annual General Meeting (AGM). If the number of retiring directors is neither three nor amultiple of three, then, the number nearest to one-third, shall retire from office.

The directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment.The Bank may fill up the vacancy on account of retirement by rotation, by appointing the retiring director or some other person.

6 Resignation/Removal of a Director

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulation may recommend to the Board with the reasons recorded in writing, removal of a Director, KMP or senior management personnel subject to the provisions and compliance of the Companies Act, 2013. Appointment of a director may also be terminated

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in accordance with the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949, the Listing Agreement and the Articles of Association of the Bank from time to time in force.

Resignation of Director: The Bank shall intimate the Registrar about the resignation of the Director and shall place the fact of such resignation in the report of directors laid in the immediately following general meeting. The resignation of a director shall take effect from the date on which the notice is received by the Bank or the date, if any, specified by the director in the notice, whichever is later. The director who has resigned, shall be liable even after his resignation for the offences which occurred during his tenure.

Removal of Directors: The Bank shall by an ordinary resolution, remove a director before the expiry of the period of his office after giving him a reasonable opportunity of being heard, in case the Bank has not appointed such director by adopting the principle of proportional representation. The director who was removed from office shall not be re-appointed as a director by the Board of Directors.

The Bank shall send a special notice to remove a director or to appoint somebody in place of a director at the meeting at which he is removed. A director so appointed shall hold office till the date up to which his predecessor would have held office if he had not been removed.

Resignation/Removal of Independent Director

In case of removal or resignation of Independent Directors from the Board, the Bank shall replace such directors by a new independent director within a period of not more than 180 days from the date of such resignation or removal

7. Remuneration

The Nomination and Remuneration Committee (NRC) of the Bank shall evaluate the performance of the Directors including Independent Directors and recommend to the Board all fees, compensation/remuneration including fixed and variable and perquisites. The Board of Directors shall recommend all fees or compensation, if any, paid to non-executive directors, including independent directors and shall require approval of shareholders in general meeting. The NRC shall ensure the following:

- 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;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- remuneration to directors, key managerial personnel 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.

The Bank shall obtain prior approval on the remuneration paid to the Chairman, Managing or whole-time Director or Chief Executive Officer.

Remuneration to Director/ Managing Director

The Remuneration/ Compensation/ Commission etc. to be paid to Director / Managing Director etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

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The Bank shall effectively align its compensation

- Compensation must be adjusted for all types of risk.
- Compensation outcomes must be symmetric with risk outcomes.
- Compensation payout schedules must be sensitive to the time horizon of risks.

The Bank shall not give loans and advances to an entity (company, firm, individual) in which the Director is associated either as a director, partner, manager, guarantor, etc.

Remuneration to Independent Director

Independent Director shall not be an employee of the Bank and the appointment letter issued to him/her shall not constitute a contract of employment. The Bank shall pay the Independent Director remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board and, if required, approved by the Shareholders from time to time. Further, an Independent Director shall not be paid remuneration by way of commission, nor shall be entitled for any Stock Options, under Employee Stock Option Plans (ESOPs).

Remuneration to Non- Executive Director:

The Board may allow payment of compensation in the form of profit related commission to the non-executive directors (other than the Part-time Chairman), subject to the Bank making profits. Such compensation, however, shall not exceed Rs.10 lakh per annum for each director.

The Bank 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 Companies Act, 2013.

The Bank, with the approval of shareholders may decide the sitting fees payable to such category of directors and should disclose it in its Directors' Remuneration Report forming part of the Annual Report of the Bank.

8. Reporting Requirement

The Bank shall disseminate the information on the "Policy of Appointment of Directors and remuneration of directors, KMP and employees" on its website and the Board's report.

8.1 Disclosures relating Appointment of directors

The Bank shall provide information to Board on recruitment and remuneration of senior officers just below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Company Secretary.

The Bank shall provide the shareholders with the following information in the case of appointment of a new director or re-appointment of a director:

- A brief resume of the director;
- Nature of his expertise in specific functional areas;
- Disclosure of relationships between directors inter-se;
- Names of listed entities in which the person also holds the directorship and the membership of Committees of the board; and
- Shareholding of non-executive directors.

8.2 Disclosures relating Remuneration

8.2.1 Reporting to the Nomination and Remuneration Committee

The following matters shall be reported to the Nomination and Remuneration Committee:

- Annual remuneration proposed for directors, key managerial personnel and senior management
- Declarations on fit and proper criteria as submitted by the directors or persons to be appointed as directors
- Annual disclosures to be made in the annual report of the Bank
- Employee benefit plans including deferred benefit plans and retirement plans

The Committee shall prepare and recommend the remuneration policy to the Board. The status of implementation of the remuneration policy shall also be reported on an annual basis to the Board.

8.2.2 Reporting in the Annual Report

The Bank shall make qualitative and quantitative disclosures in the Annual Financial Statements as mentioned in the Annexure 2. In addition to these disclosures the Bank shall also disclose the following information.

- All pecuniary relationship or transactions of the non-executive directors vis- à-vis the Bank shall be disclosed in the annual report
- Criteria of making payments to non-executive directors
- All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension, service contracts, notice period, severance fees
- The ratio of the remuneration of each director to the median employee's remuneration.

8.2.3 Other Disclosure

- Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the Bank in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.
- The senior management of the Bank shall make disclosures to the Board of Directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Bank at large.

9. Policy on Directors Appointment and Remuneration: Inclusion of Chairman & Non-Executive Director & their remuneration [Inserted vide board approval dated 13/11/2018]

Under Section 10B of the Banking Regulation Act, 1949, every banking company in existence on the commencement of the Banking Regulation (Amendment) Act, 1994 (20 of 1994), or which comes into existence thereafter shall have one of its Directors, who may be appointed on a whole-time or a part-time basis, as Chairman of its board of Directors, and where he is appointed on a whole-time basis, as Chairman of its board of Directors, he shall be entrusted with the management of the whole of the affairs of the banking company;

PROVIDED that the Chairman shall exercise his powers subject to the superintendence, control and direction of the board of Directors.

Under Section 10B(1A), where a Chairman is appointed on a part-time basis:

- (i) Such appointment shall be with the previous approval of the Reserve Bank of India and be subject to such conditions as the Reserve Bank may specify while giving such approval;
- (ii) The management of the whole of the affairs of such banking company shall be entrusted to a Managing Director who shall exercise his powers subject to the superintendence, control and direction of the board of Directors.

PROVIDED that nothing in this sub-section shall be construed as prohibiting a Chairman from being a Director of a subsidiary of the banking company or a Director of a company registered under section 25 of the Companies Act, 1956.

Guidelines on Compensation of Non-Executive Directors (Except Part-time Chairman) of Private Sector Banks (RBI letter No BR.No.BC.97/29.67.001/2014-15 dated 1st June, 2015.)

1. Compensation Policy

- The Board of Directors, in consultation with its Remuneration Committee, should formulate and adopt a comprehensive compensation policy for the non-executive Directors (other than the part-time non-executive Chairman). While formulating the policy, the Board shall ensure compliance with the provisions of the Companies Act, 2013.
- The Board may, at its discretion, provide for in the policy, payment of compensation in the form of profit related commission to the non-executive directors (other than the Part-time Chairman), subject to the bank making profits. Such compensation, however, shall not exceed Rs.1 million per annum for each director.

2. Sitting fees and reimbursement of expenses

- In addition to the directors' compensation mentioned in para 1.2 above, the bank 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 Companies Act, 2013.

3. Regulatory Approval / Supervisory Oversight

- As hitherto, banks in private sector would be required to obtain prior approval of RBI for granting remuneration to the part-time non-executive Chairman under Section 10B(1A)(i) and 35B of the Banking Regulation Act, 1949. The compensation policies

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of banks would be subject to supervisory oversight including review under the Supervisory Review and Evaluation Process (SREP) under Pillar 2 of Basel II framework. Deficiencies would have the effect of increasing the risk profile of banks with attendant consequences, including a requirement of additional capital if the deficiencies are very significant.

4. Disclosure

- Banks are required to make disclosure on remuneration paid to the directors on an annual basis at the minimum, in their Annual Financial Statements.

The Nomination and Remuneration Committee (NRC) of the Bank shall evaluate the performance of the Directors including Independent Directors and recommend to the Board all fees, compensation/remuneration including fixed and variable and perquisites. The Board of Directors shall recommend all fees or compensation, if any, paid to non-executive directors, including independent directors and shall require approval of shareholders in general meeting. The NRC shall ensure the following:

- 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;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- remuneration to directors, key managerial personnel 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.

The Bank shall obtain prior approval on the remuneration paid to the Chairman.

10. Policy Review and Updates

The Board approved policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any.

Last date of review: DDMMYYYY

11. Regulatory References

- Companies Act, 2013.
- Banking Regulation Act, 1949
- Securities and Exchange Board of India (SEBI) Notification Listing Obligations and Disclosure Requirements) Regulations, 2015
- Guidelines for Licensing of "Small Finance Banks" in the Private Sector November 27, 2014.
- Report of the Consultative Group of Directors of Banks / Financial Institutions (Dr.Ganguly Group) - Implementation of recommendations June 20, 2002.
- Fit and proper' criteria for directors of Banks June 25, 2004
- Fit and proper' criteria for directors on the Board of Banks May23, 2011
- Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc. dated January 13, 2012 and June 1, 2015

Annexure 1- Definitions

Key Term	Explanation
“Associate Company”	Associate shall mean a company which is an “associate” as defined in Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”, issued by the Institute of Chartered Accountants of India.
“Board”	Means the Board of Directors of North East Small Finance Bank
“Control”	Shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. As per Ind AS 24, <i>Control</i> is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
“Key Managerial Personnel”	Means Key Managerial Personnel as defined under the Companies Act, 2013, viz <ul style="list-style-type: none"> i) The Managing Director or the Chief Executive Officer or the manager and in their absence, a whole time director ii) The Company Secretary, and iii) The Chief Financial Officer As per Ind AS 24, <i>Key management personnel</i> are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
“Relative”	Means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner – <ul style="list-style-type: none"> a. Members of a Hindu undivided family b. Husband or wife c. Father (including step-father) d. Mother (including step-mother) e. Son (including step-son) f. Son’s wife g. Daughter h. Daughter’s husband i. Brother (including step-brother) or j. Sister (including step-sister).
“Senior Management”	Senior Management means the 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, including the functional heads.
“Nomination and Remuneration Committee (NRC)”	Means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing Agreement
“Independent Director”	An Independent Director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,— (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience; (b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company; (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company; (c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors,

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Key Term	Explanation
	<p>during the two immediately preceding financial years or during the current financial year;</p> <p>(d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;</p> <p>(e) who, neither himself nor any of his relatives—</p> <p>(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;</p> <p>(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—</p> <p>(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or</p> <p>(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;</p> <p>(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or</p> <p>(iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or</p> <p>(f) who possesses such other qualifications as may be prescribed.</p>

Annexure 2- Disclosure in the Annual Report

Remuneration		
Qualitative Disclosures	(a)	Information relating to the composition and mandate of the Remuneration Committee
	(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.
	(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.
	(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.
	(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

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Remuneration		
	(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.
Quantitative Disclosures	(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members
	(h)	<ul style="list-style-type: none"> • Number of employees having received a variable remuneration award during the financial year • Number and total amount of sign-on awards made during the financial year. • Details of guaranteed bonus, if any, paid as joining / sign on bonus. • Details of severance pay, in addition to accrued benefits, if any.
	(i)	<ul style="list-style-type: none"> • Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. • Total amount of deferred remuneration paid out in the financial year.
	(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.
	(k)	<ul style="list-style-type: none"> • Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments. • Total amount of reductions during the financial year due to ex- post explicit adjustments. • Total amount of reductions during the financial year due to ex- post implicit adjustments.