

National Asset Reconstruction Company Ltd (NARCL)

Nomination and Remuneration Policy

Document Revision History

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Review cycle	Annually. However, in case any change in market conditions/regulations require a change in policy during the year, the same will be undertaken under the guidance of the MD & CEO and thereafter placed before the Board of Directors for approval.		
Owner/Contact	Company Secretary along with Chief Financial Officer (CFO)		
Approver	Board of Directors		
Nature of document	For internal circulation and compliance purposes		

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1. Introduction

National Asset Reconstruction Company Limited (hereinafter referred to as “NARCL” or “Company”) has been incorporated under the Companies Act, 2013 as a Government Company (limited by shares) on 7th July 2021.

The Nomination and Remuneration Policy (“**Policy**”) is formulated in compliance with Section 178 of Companies Act, 2013 (the “Act”) read along with the applicable rules, as amended from time to time.

2. Objectives of the Policy

The objective of this Policy is to *inter alia* lay down matters relating to the terms of appointment of directors (and related matters) and to set out certain guiding principles for matters relating to remuneration for directors, key managerial personnel (“KMP”), senior management and other employees in pursuance of the statutory obligation of the Nomination and Remuneration Committee (“NRC”) of the Board of Directors (“Board”) under the Companies Act, 2013 (“Act”).

3. Applicability of the Policy

The Policy is applicable to all employees, officers, directors, and other relevant stakeholders, across all branches (if any) and departments of the Company.

4. Constitution of Nomination and Remuneration Committee (NRC)

The Board has the power to constitute/reconstitute the NRC from time to time in order to make it consistent with Company’s policies and applicable statutory requirements. As per the Act, NRC shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors.

5. Role of NRC

The NRC shall: -

- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.
- Recommend to the Board their appointment and removal.
- Specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance.
- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Recommend to the Board this Policy, relating to the remuneration for the directors, key managerial personnel, and other employees.

- Carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment, or modification, as may be applicable.

6. Appointment of Board of Directors

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

As set out in the First Amendment to the Investment Agreement executed by the Company and its shareholders dated [05th July 2024] and other terms as ("Investment Agreement"), the Board shall be constituted to comprise of up to 6 (six) members,

- a) at least 3 (three) Independent Directors shall be appointed to the Board.
- b) 1 (one) Managing Director / CEO appointed by the Company shall be an executive Director and such appointment shall be on a permanent non-rotating basis.
- c) Sponsor (Canara Bank) shall be entitled to nominate 1 (one) Nominee Director, who shall be appointed on a permanent non-rotating basis; and 1 (one) Nominee Director shall be appointed as nominee of the remaining 14 Shareholder Banks i.e. SBI, UBI, BOB, IB, PNB, BOI, BOM, HDFC Bank, ICICI Bank, IDBI, UCO Bank, PSB, IOB and Axis Bank ("Eligible Shareholders") banks on a rotation basis ("Rotational Directors"), of 12 (twelve) months.

The rotation hierarchy shall be as set out in the Amended Investment Agreement and is annexed as Annexure -I of this policy.

The NRC of the Company shall identify persons who are qualified to become directors, who may be appointed in senior management in accordance with the applicable regulatory norms.

The Company 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. An individual shall not be eligible for appointment as a director of a company if he/she does not comply with the requirements under the Act and the rules therein.

7. Appointment of Director and KMP

In addition to the eligibility criteria prescribed under the Act, the NRC shall consider the following criteria while recommending the appointment of directors and KMPs to the Board for approval:

- i. appointments to be based on merit, having regard to the educational qualifications, requisite expertise, experience, and independence of the candidate, to be able to contribute to the effectiveness of the Board, as a collective body.
- ii. the individual should possess adequate qualification, expertise, and experience for the position he/she is considered for appointment.

- iii. willingness of the candidate to devote sufficient time and attention to his/her professional obligations as a director for informed decision making, and thereby do justice to the appointment.
- iv. adherence to Company's code of conduct and to the highest level of corporate governance in letter and spirit.
- v. The directors and KMP shall meet the 'Fit and Proper' criteria specified in applicable law from time to time.

8. Remuneration of the Managing Director, Executive Directors, KMPs and senior management

Remuneration to Managing Director

The remuneration/ compensation/ commission etc. to be paid to Managing Director etc. shall be governed as per provisions of the Act and rules made thereunder or any other enactment for the time being in force.

Remuneration to Independent Director

Independent Director shall not be an employee of the Company and the appointment letter issued to him/her shall not constitute a contract of employment. The Company 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, unless permitted under applicable law, 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 Company making profits.

The Company 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 Act and rules made thereunder or any other enactment for the time being in force.

9. Evaluation

The NRC shall carry out evaluation of performance of every director, KMP and senior management at regular intervals. The NRC of the Company shall evaluate the performance of the directors including Independent Directors and recommend to the Board all fees, compensation/remuneration including fixed and variable components and perquisites.

10. Re-appointment/ Retirement/Resignation/Removal of Director

The re-appointment, retirement, resignation, or removal of director shall be governed as per provisions of the Act and rules made thereunder or any other enactment for the time being in force.

11. 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.

12. Regulatory References (reference to Companies Act, RBI circulars and other applicable statutes, regulations as applicable to NARCL)

- The Companies Act, 2013

Annexure 1

Proposed rotational cycle

- i. The NARCL board comprises 6 (Six) members, who shall be nominated and/or appointed (as the case may be) in the following manner:
- at least 3 (three) Independent Directors,
 - 1 (one) Managing Director / CEO appointed by the Company as an executive Director on a permanent non-rotating basis;
 - Sponsor (Canara Bank) to nominate 1 (one) nominee Director, on a permanent non-rotating basis;
 - the remaining 1 (One) Directors to be appointed as nominees of the remaining 14 Eligible Shareholders on a rotation basis of one year ("**Rotational Directors**") in the manner specified below:
- 1- Indian Bank
 - 2- Punjab National Bank
 - 3- ICICI Bank
 - 4- Bank of India
 - 5- Bank of Maharashtra
 - 6- IDBI Bank
 - 7- UCO
 - 8- Indian Overseas Bank
 - 9- Axis Bank
 - 10- Punjab & Sind Bank
 - 11- UBI (already served on the NARCL Board for 24 Month with effect from Investment Agreement date i.e 10th March 2022).
 - 12- BOB (already served on the NARCL Board for 24 Month with effect from Investment Agreement date i.e 10th March 2022).
 - 13- HDFC Bank (already served on the NARCL Board for 24 Month with effect from Investment Agreement date i.e 10th March 2022).
 - 14- State Bank of India (already served on the NARCL Board as permanent Nominee from SBI with effect from Investment Agreement date i.e 10th March 2022).
- The above rotational hierarchy has been taken from the existing Investment Agreement.
 - After the expiry of the last Rotation Term, the nomination and appointment of Rotational Directors shall be mutually decided amongst the Shareholders.

Glossary

Abbreviations	Meaning
NARCL	National Asset Reconstruction Company Ltd
RBI	Reserve Company of India
NRC	Nomination and Remuneration Committee
KMP	Key Managerial Personnel
CEO	Chief Executive Officer
ESOPs	Employee Stock Option Plans

VERSION HISTORY

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