

NOMINATION AND REMUNERATION POLICY

PREAMBLE

The Board of Directors (the Board) of PNB Finance & Industries Limited (The Company) at its meeting held on 30th September, 2014 constituted the Nomination and Remuneration Committee as per the provisions of Section 178 of the Companies Act, 2013 read with Rules made there under (the Act) and revised Clause 49 of the Listing Agreement on Corporate Governance and subsequent amendments thereto from time to time.

Section 178 of the Act and Listing Agreement provides that the Committee shall recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees, further the Committee shall also formulate the criteria for determining qualifications, positive attributes and independence of a director.

The Nomination and Remuneration Committee of The Company has formulated a policy on nomination and remuneration of Directors, Key Managerial Personnel, Senior Management and other employees of The Company and recommended to the Board of Directors.

OBJECT AND PURPOSE

This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel, Senior Management and other employees. The policy is framed with the objective(s):

1. That 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;
2. That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
3. That the remuneration to Directors, Key Managerial Personnel, and other employees of The Company 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;
4. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-executive) and persons who may be appointed in Senior Management, Key Managerial positions and to determine their remuneration;
5. To determine remuneration based on The Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry;
6. To carry out evaluation of the performance of Directors, as well as Key Managerial Personnel and Senior Management Personnel and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to The Company's operations;

7. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage; and
8. To lay down criteria for appointment, removal of Directors, Key Managerial Personnel and Senior Management Personnel and evaluation of their performance.

APPLICABILITY AND GOVERNING LAW

This policy is applicable to all Directors viz: Executive, Non-Executive and Independent, Key Managerial Personnel, Senior Management Personnel and other employees of The Company.

This policy shall be governed by the Act read with Rules made thereunder, as may be in force for the time being as well as Clause 49 of the Listing Agreement or such other Rules/Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

DEFINITIONS

In this policy unless the context otherwise requires:

“Act” shall mean the Companies Act, 2013 and the Rules and Regulations notified thereunder.

“Board of Directors” or **“Board”** in relation to The Company means the collective body of the Directors of The Company.

“Company” means PNB Finance & Industries Limited.

“Directors” means Directors of The Company.

“Independent Director” means a Director referred to in Section 149 (6) of the Companies Act, 2013.

“Key Managerial Personnel” (KMP) in relation to a Company means

- i. the Chief Executive Officer, or the Managing Director or the Manager;
- ii. The Company Secretary;
- iii. the Whole-time director;
- iv. Chief Financial Officer; and
- v. such other officer as may be prescribed under the Act.

“Remuneration” means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

“Senior Management Personnel” mean employees of The Company who are members of its core management team excluding Board of Directors including the functional / vertical heads.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee shall have minimum three directors as members and out of which not less than one half shall be Independent Directors. The Nomination and Remuneration Committee comprises of following Directors:

1. Mr. Govind Swarup, Non- executive Independent Director Chairman
2. Mr. Mohit Jain, Non- executive Independent Director Member
3. Mr. Mukesh Gupta, Non- executive Independent Director Member

The Board has the power to reconstitute the Committee consistent with The Company's policy and applicable statutory requirement.

QUORUM

Minimum two (2) members shall constitute a quorum for the Committee meeting.

ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE

The role of the Committee inter-alia will be the following:

1. Identify person who is qualified to become Director and who may be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performances;
2. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and Employees;
3. Devising a policy on Board diversity;
4. Formulation of criteria for evaluation of Independent Directors and the Board;
5. Ensure that the Board comprises of a balanced combination of Executive Directors and Non- executive Directors and also the Independent Directors; and
6. Decide/ approve details of fixed components and performance linked incentives along with criteria.
7. To perform such other functions as may be necessary or appropriate for the performance of its duties.

CHAIRMAN

- a) Committee shall be chaired by an Independent Director.
- b) Chairman of The Company, if any, may be appointed as a member of the Committee but shall not Chair the Committee.
- c) Members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

- d) Chairman of the Nomination and Remuneration Committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

COMMITTEE MEMBERS' INTERESTS

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

VOTING

Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

In the case of equality of votes, the Chairman of the meeting will have a casting vote.

APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

i. Appointment criteria and qualifications

1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board about his / her appointment.
2. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
3. The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of the Shareholders of The Company.

ii. Term / Tenure

1. The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding 5 five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
2. An Independent Director shall hold office for a term up to five consecutive years on the Board of The Company and will be eligible for re-appointment on passing of a special resolution by The Company and disclosure of such appointment in the Board's report.
3. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years

of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with The Company in any other capacity, either directly or indirectly.

4. At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

iii. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

iv. Removal

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

v. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of The Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / emuneration or otherwise even after attaining the retirement age, for the benefit of The Company.

REMUNERATION FOR DIRECTOR, KMP AND SENIOR MANAGEMENT

The general features of Remuneration for Director, KMP and Senior Management Personnel are as under:

1. The remuneration / compensation / commission etc. to the Whole-time Director, Managing Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the Shareholders of The Company and Central Government, wherever required.
2. The remuneration and commission to be paid to the Whole-time Director and Managing Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of The Company and as per the provisions of the Act and the rules made there under.
3. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director and Managing Director.
4. This Remuneration Policy shall apply to all future / continuing employment / engagement(s) with The Company. In other respects, the Remuneration Policy shall be of guidance for the Board. Any departure from the policy shall be recorded and reasoned in the Committee and Board meeting minutes.

i. Remuneration to Whole-time / Executive / Managing Director

Fixed pay

The Whole-time Director, Managing Director, KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The break- up of the pay scale and quantum of perquisites including, employer's contribution to Provident and Pension Fund, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the Shareholders and Central Government, wherever required.

Remuneration in case of no profits or inadequate profits

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

Provisions for excess remuneration

If any Whole-time Director/ Managing Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act, or without the prior approval of the Central Government, where required, he / she shall refund such sums to The Company and until such sum is refunded, hold it in trust for The Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

ii. Remuneration / Commission to Non - Executive / Independent Director Remuneration / Commission

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of The Company and the Act.

Sitting Fees

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time. The Director may however waive off at any time his entitlement & the sitting fees or any other benefit from time to time.

Commission

Commission may be paid within the monetary limit approved by Shareholders, subject to the limit not exceeding 1 percentage of the profits of The Company computed as per the applicable provisions of the Act.

MINUTES OF COMMITTEE MEETING

Minutes of all meetings should be signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.

REVIEW

This Policy shall be reviewed by the Board of Directors on its own and / or as per the recommendations of the Nomination and Remuneration Committee, as and when deemed fit.

AMENDMENT

Nomination and Remuneration committee at its meeting held on June 17,2021 revised the nomination and remuneration policy to include the 'fit and proper' criteria to be fulfilled by the directors in terms of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("Master Directions")

In term of Master Directions, "fit and proper" criteria is inserted in the policy as Annexure A.

Annexure A

The Company shall ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

- (a) The Company shall undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. The Company shall obtain necessary information and declaration from the proposed / existing directors for the purpose in the prescribed format as per Master Directions.
- (b) The process of due diligence shall be undertaken by the Company at the time of appointment / renewal of appointment.
- (c) The Nomination Committees shall scrutinize the declarations.
- (d) Based on the information provided in the signed declaration, Nomination Committees shall decide on the acceptance or otherwise of the directors, where considered necessary.
- (e) The Company shall obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- (f) The Board of the Company must ensure in public interest that the nominated/ elected directors execute the deeds of covenants in the format given in Master Directions.
- (g) The Company shall comply with regulations of Master Directions (as amended from time to time).
