

## **NOMINATION AND REMUNERATION POLICY**

### **1.0. INTRODUCTION**

Indian Railway Finance Corporation Limited (the “**Company**”) has always considered its human resource as its prime driving force. The Company has adopted an HR policy which covers a whole gamut of HR functions such as the recruitment, promotion, training and development. These policies have been adopted by the Board of Directors of the Company (“**Board**”) and amended from time to time by the competent authority. The Company’s Board has constituted a Nomination and Remuneration Committee (the “**Committee**”). The Company, taking forward its compliance with the regulatory requirements has formulated a Nomination and Remuneration Policy (the “**Policy**”) pursuant to the requirements of Section 178 of the Companies Act, 2013 read along with rules framed thereunder, as amended from time to time (the “**Act**”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “**SEBI Listing Regulations**”). The above statutory provisions are reproduced in Annexure I.

**2.0.** The Policy has been formulated by the Company and the same was recommended for approval of the Board. The Board has approved the Policy in its meeting held on \_\_\_\_\_ 2017.

### **3.0. OBJECTIVES**

- 3.1 To ensure an effective process for identifying persons through a promotion policy, who are qualified to become directors and who may be appointed in Senior Management (*defined below*) in accordance with the criteria laid down and to recommend to the Board appointment of Senior Management based on the criteria fixed in this regard;
- 3.2 To recommend to the Board a policy, based on the Department of Public Enterprises (“**DPE**”) guidelines and approval received from the Government of India (“**GOI**”) in this regard, relating to the remuneration for the Senior Management and other employees;
- 3.3 In the case of whole-time directors, to formulate broad criteria for determining qualifications, positive attributes, etc., required and inform GOI about the same
- 3.4 In the case of independent directors, to formulate broad criteria for determining qualifications, positive attributes and independence of a director based on the provisions of the Companies Act, 2013 and inform GOI about the same;

#### **4.0. DEFINITIONS**

- 4.1 Act" means the Companies Act, 2013 and rules framed thereunder, as amended from time to time.
- 4.2 Board" means the Board of Directors of the Company.
- 4.3 Committee" means the Nomination and Remuneration Committee.
- 4.4 Company" means Indian Railway Finance Corporation Limited.
- 4.5 Directors" means members of the Board.
- 4.6 Key Managerial Personnel" or KMP" means;
- (i) Director Finance;
  - (ii) The Company Secretary; and
  - (iii) Such other officer as may be prescribed.
- 4.7 Officers" or „Executives" mean the permanent employees of the Company who are in grade E1 to E8.
- 4.8 Other employees" mean all the employees other than the Directors, KMPs, the Senior Management Personnel, Officers or Executives.
- 4.9 Senior Management" mean personnel of the Company who are members of its core management team excluding the Board comprising all members of management at one level below the whole time directors, including the functional heads in the existing E8 grade of the Company.
- 4.10 Independent Directors" means a director referred to in Section 149 (6) of the Act.

#### **5.0. COMMITTEE**

- 5.1. The Board shall determine the membership of the Committee;
- 5.2. The Committee shall comprise of atleast three non-executive directors, of which not less than one-half shall be independent directors;
- 5.3. The Company Secretary of the Company shall act as Secretary to the Committee;

- 5.4. Terms of reference of the Committee shall be continued unless terminated by the Board;
- 5.5. The Chairperson of the Committee shall be an independent director;
- 5.6. Chairperson of the Company may be appointed as a member of the Committee but shall not chair such Committee;
- 5.7. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson other than chairperson of the Company;
- 5.8. Chairperson of the Committee meeting may be present at the Annual General Meeting or may nominate some other member to answer the shareholders queries;
- 5.9. The meeting of the Committee shall be held at such regular intervals as may be required;
- 5.10. The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

**6.0. ROLES AND RESPONSIBILITIES OF THE COMMITTEE:**

- 6.1 Decide on the annual bonus/ performance pay/ variable pay pool and policy for its distribution across the executives of the company;
- 6.2 Formulation and modification of schemes for providing perks and allowances for officers;
- 6.3 Any new scheme of compensation like medical scheme, pension etc. to officers, and other employees as the case may be;
- 6.4 Exercising such other roles assigned to it by the provisions of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and any other laws and their amendments from time to time.

**7.0. CRITERIA FOR DETERMINING QUALIFICATIONS. POSITIVE ATTRIBUTES AND INDEPENDENCE OF DIRECTORS**

- 7.1 **Appointment criteria/ qualifications for Chairman and Managing Director, to be intimated to the Ministry of Railways (“MoR”)/ GOI at the time of vacancy arising in the post.**

### 7.1.1 Job Description and Responsibilities

The Chairman and Managing Director is the Chief Executive of the Company and accountable to its Board and GOI. He is responsible for the efficient functioning of the Company for achieving its corporate objectives and performance parameter.

### 7.1.2 Age

On the date of occurrence of vacancy, minimum of 45 years and not more than 58 years for internal candidates and not more than 57 years for others. The age of superannuation is 60 years.

### 7.1.3 The criteria for appointment as Chairman and Managing Director

The applicant should be a graduate with good academic record from a recognized university/ institution. He should possess adequate experience at a senior level of management in a large organization of repute. Persons with technical/ MBA qualifications and having experience in management and familiarity with finance, marketing/ production will have added advantage. Knowledge of finance industry is desirable.

## 7.2 The criteria for selection of whole-time Directors to be intimated to the MoR/ GOI at the time of vacancy arising in the post.

| Sl. No | Directorship       | Job Description/ Responsibilities  | Age and Criteria  |
|--------|--------------------|--|---|
| 1      | Director (Finance) | Director (Finance) is a member of Board and reports to the Chairman and Managing Director. He is overall in charge of finance and accounts functions of the Company. He is also responsible for formulation of policies relating to finance and accounts and its implementation thereof. | <p>On the date of occurrence of vacancy, minimum of 40 years and not more than 58 years for internal candidates and not more than 57 years for others. The age of superannuation is 60 years</p> <p>The incumbent should be a Cost Accountant/ Chartered Accountant/ MBA with specialization in finance with good academic record from a recognized university/ institution.</p> <p>He should have managerial experience at a senior level in corporate financial management and accounts including cost and budgetary control, institutional finance, working capital management in an organization of repute.</p> <p>Provided that minimum qualification can be relaxed in the case of internal candidates with sound and adequate background and experience.</p> |

**7.3 Criteria for selection of other senior management/ Key Managerial Personnel will be in line with the promotion policy as approved by the Board.**

7.4 Criteria for selection of Independent Directors to be intimated to GOI/ MoR to be adopted at the time of appointment of Non Official Part Time Director (Independent Directors) will be as per section 149 (6) of the Companies Act, 2013 with such exceptions and amendments from time to time.

7.4.1 Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Act.

7.4.2 The term of appointment of independent directors shall be determined by the Government of India as IRFC is a Government Company. Any suggestion in this regard from the Committee will be reviewed by the Board and intimated to the Government of India.

7.4.3 The independent directors shall follow Schedule IV to the Companies Act, 2013 with regard to the guidelines of professional conduct, role and functions and duties.

## **7.5 Removal**

7.5.1 The appointing authority of the Directors of the Company is the President of India. Hence, their removal shall be based on the Government of India orders in this regard.

7.5.2 The removal of KMPs other than Directors and the Senior Management would be as per the internal rules and regulations of the Company. The removal of Directors and KMPs would also be subject to adherence to the procedures laid down under the Act.

## **REMUNERATION TO DIRECTORS, KMP AND SENIOR MANAGEMENT**

8.1 The remuneration and compensation to be paid to the Directors, KMP and Senior Management will be determined based on the DPE guidelines and notifications issued by GOI from time to time and as per the terms of appointment of director issued by the President of India. The variable payment which is related to performance will be decided by the Committee based on the scheme formulated in accordance with the GOI and DPE guidelines and approved by the Board. Where any insurance is taken by the company on behalf of its Managing Director, Directors, Chief Financial Officer, Company Secretary and Senior Management and any other employees for indemnifying them against any liability, the premium

payable to any such personnel shall not be treated as part of their remuneration.

8.2 The pay structure devised & approved by Government of India will be reviewed by the Committee on the following basis:

8.2.1.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;

8.2.2.relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

8.2.3.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:

8.3 The observations of the Committee will be reviewed by the Board and intimated to the Government of India.

8.4 **Minimum Remuneration:** Since the remuneration for Directors are fixed in accordance with the Government of India order and terms of appointments as specified in their appointment letter issued from Ministry of Railways, they will be paid the remuneration in case of no profit or inadequate profit.

8.5 **Compensation to Independent Directors:** The independent director may receive compensation by way of sitting fees for attending meetings of Board or committees thereof as may be decided by the Board, subject to the provisions of the Act and the SEBI Listing Regulations. Presently, the amount of sitting fees fixed for attending meetings of the Board and Committee is Rs.20,000/- (Twenty Thousand only) per meeting.

8.6 **Criteria for evaluation of Independent Directors and Board of Directors:** The performance of the Board of Directors and Independent Directors will be evaluated by Government of India based on the performance of the Company and the MOU Score achieved.

## **9.0. IMPLEMENTATION**

The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this Policy as considered appropriate. The Committee may delegate any of its powers to one or more of its members. This Policy shall be reviewed by the Committee as and when any notification or amendments are notified by the regulatory authorities affecting the policy formed hereinabove. Any changes or modifications in the Policy as recommended by the Committee would be submitted for approval of the Board of Directors. The Policy shall be effective from the date of approval by the Board, unless specified otherwise.

## **10.0. DISSEMINATION OF POLICY**

A copy of this Policy shall be handed over to all Directors within one month from the date of approval by the Board. This Policy shall also be posted on the website of the Company and the details of this Policy, including the evaluation criteria, shall be mentioned in the Board's Report.

**11.0. AMENDMENT(S)**

The Board may review or amend this Policy, in whole or in part, from time to time, after taking into account the recommendations from the Committee.

\*\*\*\*\*

## Annexure I

| Sl. No. | Details of the statute                     | Contents/ provisions of the statute  | Remarks  |
|---------|--|--|--|
| 1.      | Section 178 (1) of the Companies Act, 2013 | <p>The Board of Directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be Independent Directors:</p> <p>Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.</p> | The Company's Nomination and Remuneration Committee comprises of one Independent Directors and one Part time Government Director who is a non executive director   |
| 2.      | Section 178(2) of the Companies Act, 2013  | The Nomination and Remuneration Committee 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 and shall carry out evaluation of every director's performance.   | As per Ministry of Corporate Affairs notification no GSR 463(E) dated 05 <sup>th</sup> June 2015 Chapter XII Sub sections sub-sections (2),(3) and (4) of section 178 shall not apply to Government company except with regard to appointment of Senior Management and other employees. Hence the highlighted portion does not appear in policy. |
| 3.      | Section 178 (3) of the Companies Act, 2013 | The Nomination and Remuneration Committee shall 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 other employees.   | As per Ministry of Corporate Affairs notification no GSR 463 (E) dated 05 <sup>th</sup> June 2015. Chapter XII Sub sections sub sections (2), (3) and (4) of section 178 shall not apply to Government company except with regard to appointment of Senior Management and other employees.   |



|    |  |   |   |
|----|--|---|---|
| 4. | Section 178(4) of the Companies Act, 2013  | <p>The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that—</p> <p>(a) 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;</p> <p>(b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and</p> <p>(c) 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:</p> <p>Provided that such policy shall be disclosed in the Board's report</p> | <p>As per Ministry of Corporate Affairs notification no GSR 463 (E) dated 05<sup>th</sup> June 2015 Chapter XII sub sections (2), (3) and (4) of section 178 shall not apply to Government company except with regard to appointment of Senior Management and other employees</p> <p>In the case of Company, the remuneration to all executives are based on DPE guidelines and as approved by Government of India. Regarding other employees, any new scheme of compensation will be brought before the Committee.</p> |
| 5. | Schedule IV of the Companies Act, 2013 [See section 149(8) of the Companies Act, 2013] | Code for Independent Directors  | <p>The code for Independent directors are to be followed with respect to</p> <p>Guidelines of professional conduct, role and functions, duties, separate meetings</p> <p>The various matters to be considered by the Independent directors in the separate meeting as per Schedule IV will be undertaken except with reference to the evaluation of non independent directors and CMD, resignation/ removal etc. or such other matters which are reserved</p>   |

|    |   |   |  |
|----|---|---|--|
|    |   |   | for the consideration of President of India as per the Articles of Association of the Company/ DPE guidelines/ Government orders                                 |
| 6  | SEBI Listing Regulations Regulation19 (1) | The Board of directors shall constitute the nomination and remuneration committee as follows:<br>(a) the committee shall comprise of atleast three directors;<br>(b) all directors of the committee shall be non-executive directors; and<br>(c) at least fifty percent of the directors shall be Independent Directors | The Company"s Nomination and Remuneration Committee comprises of one Independent Directors and one Part time Government Director who is a non executive director |
| 7  | SEBI Listing Regulations Regulation19 (2) | The Chairperson of the nomination and remuneration committee shall be an Independent Director:<br>Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.                 | The Chairperson of the company"s Nomination and Remuneration committee is an Independent Director  |
| 8  | SEBI Listing Regulations Regulation 19(3) | The Chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.  | This is incorporated in the Policy   |
| 8. | SEBI Listing Regulations Regulation19 (3) | The role of the nomination and remuneration committee shall be as specified as in Part D of the Schedule II.<br><br>Part D Schedule II States "Role of committee shall, inter-alia, include the following"<br><br>(1)formulation of the criteria  | (1) IRFC being a Government of India company, all the directors are appointed by the GOI.  |

|  |  |   |  |
|--|--|---|--|
|  |  | <p>for determining qualifications, positive attributes and independence of a director and recommend to the Board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;</p> <p>(2) formulation of criteria for evaluation of performance of Independent Directors and the Board of directors;</p> <p>(3) devising a policy on diversity of Board of directors;</p> <p>(4) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of directors their appointment and removal.</p> <p>(5) 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.</p> | <p>Again, IRFC being a Government Company, the remuneration for the Directors, KMPs, Senior Management and other employees are as notified by the DPE and approved by GOI. Hence the Nomination and Remuneration Committee may recommend to the Board of Directors the pay and allowances to all officers based on the GOI guidelines in this respect.</p> <p>(2) The performance of Independent Directors are evaluated by GOI as IRFC is a Government company. Similarly the performance of other directors are also evaluated by GOI.</p> <p>(3) Since IRFC is a GOI company, all the directors are appointed by GOI. Hence the Board Diversity policy adopted by the Board will be intimated to GOI to be considered while making the Board appointments.</p> <p>(4) The persons who are qualified to become directors and who may be appointed in Senior Management in accordance with the promotion policy recommended by the Committee and adopted by the Board.</p> <p>(5) The appointment, evaluation and determination of the term of an Independent director is within the purview of the GOI, as IRFC is a Government Company.</p> |
|--|--|---|--|