Document Title: Policy on appointment and remuneration for Directors, Key Managerial Personnel and Senior Management Employees	Reliance Capital Limited
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Reliance Capital Limited

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1. Introduction

This policy outlines the principles and procedures for the appointment and remuneration of Directors, Key Managerial Personnel (KMP), and Senior Management Employees of Reliance Capital Limited (RCL) an unlisted Non-Banking Financial Company - Core Investment Company (NBFC-CIC) registered with the Reserve Bank of India (RBI).

2. Purpose

The purpose of this policy is to:

- Establish a fair and transparent process for the appointment of qualified individuals to key positions within the Company.
- Ensure that the remuneration of Directors, KMP, and Senior Management is competitive, reasonable, and aligned with the Company's performance and long-term interests.
- Comply with the requirements of the Companies Act, 2013, relevant rules, and any applicable guidelines or regulations issued by the RBI.
- Attract, retain, and motivate High-Caliber talent to effectively lead and manage the Company.
- Promote sound corporate governance practices.

3. Scope and Applicability

This policy applies to:

- All members of the Board of Directors of the RCL ("Directors"), including Executive Directors and Non-Executive Directors.
- Key Managerial Personnel (KMP) as defined under the Companies Act, 2013, which typically includes:

- Chief Executive Officer (CEO) or Managing Director (MD) or Manager
- Chief Financial Officer (CFO)
- Company Secretary
- Chief Risk Officer (CRO)
- Any other officer designated as KMP by the Board of Directors.

- Senior Management Employees, who are members of the core management team of the RCL, excluding Directors and KMP, and typically include:
  - Heads of Departments
  - Other senior executives as may be designated by the Board of Directors.

4. Definitions

- **Director:** A member of the Board of Directors of the Company.
- **Key Managerial Personnel (KMP):** Personnel as defined under the Companies Act, 2013.
- **Senior Management Employee:** Employees as defined in Section 3 of this policy.
- **Remuneration:** The total compensation paid to Directors, KMP, and Senior Management Employees, including salary, allowances, benefits, and variable pay.
- **Nomination and Remuneration Committee:** A committee of the Board of Directors responsible for, among other things, recommending the appointment and remuneration of Directors, KMP, and Senior Management.
- **Fixed Compensation:** The fixed component of remuneration, including basic salary and allowances.
- **Variable Compensation:** The component of remuneration that is linked to performance, such as bonuses, performance-linked incentives, and long-term incentives.

5. Principles of Appointment

The appointment of Directors, KMP, and Senior Management Employees shall be based on the following principles:

- **Meritocracy:** Appointments shall be based on qualifications, experience, skills, and competence.
- **Transparency:** The appointment process shall be transparent and documented.
- **Diversity:** The Company shall strive to promote diversity in its Board and Senior Management, including diversity of gender, experience, and expertise.
- **Integrity:** Appointees shall be of high ethical character and integrity.
- **Alignment with Company Strategy:** Appointments shall be aligned with the Company's strategic goals and objectives.
- **5.1 Criteria for Appointment of Directors**
    - The Board of Directors shall comprise individuals with the necessary skills, experience, and expertise to effectively govern the Company.
    - Non-Executive Directors shall possess the qualities of integrity, objectivity, and independence of judgment.
    - Independent Directors shall meet the criteria for independence as defined under the Companies Act, 2013 and any other applicable regulations.
    - Consideration shall be given to the candidate's experience in the financial services industry, particularly in the NBFC sector.
- **5.2 Criteria for Appointment of Key Managerial Personnel (KMP)**
    - KMP shall possess the requisite professional qualifications, experience, and expertise to effectively discharge their duties.

- They should have a proven track record of leadership and management skills.
- For financial positions, such as CFO, candidates shall have strong financial acumen and relevant certifications.
- KMP shall demonstrate a commitment to the Company's values and ethical standards.

- **5.3 Criteria for Appointment of Senior Management Employees**
  - Senior Management Employees shall have the necessary educational qualifications, technical expertise, and experience in their respective functional areas.
  - They should possess strong leadership, communication, and interpersonal skills.
  - Their past performance and potential for growth shall be taken into account.
- **5.4 Due Diligence**
  - The Company shall conduct appropriate due diligence before the appointment of any Director, KMP, or Senior Management Employee.
  - This may include verification of credentials, background checks, and reference checks, as permitted by law.

6. Procedure for Appointment

The appointment of Directors, KMP, and Senior Management Employees shall be carried out through the following process:

- **6.1 Nomination and Remuneration Committee**
  - The Nomination and Remuneration Committee (NRC) shall:
    - Identify and screen potential candidates for appointment as Directors, KMP, and Senior Management Employees.

        - Recommend candidates to the Board of Directors for appointment.
        - Oversee the appointment process and ensure that it is conducted in a fair and transparent manner.
    - The NRC shall consider the criteria outlined in this policy and any other relevant factors in making its recommendations.
- **6.2 Board Approval**
    - The Board of Directors shall consider the recommendations of the NRC and approve the appointment of Directors, KMP, and Senior Management Employees.
    - The Board may make modifications to the recommendations of the NRC, provided that such modifications are consistent with the principles of this policy and applicable regulations.
- **6.3 Shareholder Approval (if applicable)**
    - In certain cases, shareholder approval may be required under the Companies Act, 2013, for the appointment of Directors and KMP.
    - The Company shall ensure compliance with all applicable requirements for shareholder approval.

7. Principles of Remuneration

The remuneration of Directors, KMP, and Senior Management Employees shall be based on the following principles:

- **Competitiveness:** Remuneration shall be competitive with that offered by comparable companies in the industry to attract and retain talent.
- **Performance-Based:** A significant portion of remuneration shall be linked to individual and Company performance.

- **Alignment with Shareholder Interests:** Remuneration shall be aligned with the long-term interests of the Company and its shareholders.
- **Reasonableness:** The overall remuneration shall be reasonable and commensurate with the responsibilities and performance of the individual.
- **Transparency:** The policy and the remuneration paid to Directors, KMP, and Senior Management Employees shall be transparent and disclosed in accordance with applicable regulations.
- **Compliance:** All remuneration shall comply with the provisions of the Companies Act, 2013, RBI guidelines, and any other applicable laws and regulations.

8. Components of Remuneration

The remuneration of Directors, KMP, and Senior Management Employees may comprise the following components:

- **8.1 Fixed Compensation**
    - Basic Salary
    - Allowances (e.g., housing, transportation, medical)
- **8.2 Variable Compensation**
    - Annual Bonus or Performance-Linked Incentive (PLI)
    - Long-Term Incentives (LTIs), such as:
        - Stock Options
        - Restricted Stock Units (RSUs)
        - Performance Shares
    - Commission (for Executive Directors, if applicable)
- **8.3 Benefits and Perquisites**
    - Retirement benefits (e.g., provident fund, gratuity)

- Medical insurance
- Other benefits as per Company policy

9. Factors Determining Remuneration

The following factors shall be considered in determining the remuneration of Directors, KMP, and Senior Management Employees:

- The Company's size, financial performance, and industry benchmarks.
- The individual's qualifications, experience, skills, and performance.
- The role and responsibilities of the position.
- The Company's compensation philosophy and objectives.
- Market trends and practices in the relevant industry and geographic location.
- The recommendations of the Nomination and Remuneration Committee.
- The provisions of the Companies Act, 2013, RBI guidelines, and other applicable regulations.

10. Limits on Remuneration

The remuneration of Directors, KMP, and Senior Management Employees shall be subject to the following limits:

- The remuneration of Directors shall comply with the limits prescribed under the Companies Act, 2013.
- The Company shall adhere to any limits or restrictions on remuneration imposed by the RBI for NBFC-CICs.
- The Board of Directors shall ensure that the remuneration is within the permissible limits and is duly approved by the shareholders, where required.

11. Performance Evaluation

- The performance of Directors, KMP, and Senior Management Employees shall be evaluated regularly to determine their eligibility for variable compensation and career advancement.
- The evaluation process shall be objective, transparent, and based on pre-defined performance criteria.
- The Nomination and Remuneration Committee shall oversee the performance evaluation process for Directors and KMP.
- The CEO or other designated senior executives shall evaluate the performance of Senior Management Employees.

12. Succession Planning

- The Company shall have a succession plan in place for Directors, KMP, and other critical Senior Management positions.
- The succession plan shall aim to ensure a smooth transition of leadership and minimize disruption to the Company's operations.
- The Nomination and Remuneration Committee shall be responsible for overseeing the development and implementation of the succession plan.

13. Malus and Clawback

- The Company shall have the right to recover any variable compensation paid to Directors, KMP, and Senior Management Employees in certain circumstances, such as:
    - Material misstatement of financial results.
    - Fraud or willful misconduct.
    - Breach of the Code of Conduct.

- Other circumstances as specified in the compensation agreements.

- This recovery mechanism is referred to as "malus" (reduction) or "clawback".
- The Board of Directors shall determine the applicability and extent of any malus or clawback, taking into account the specific circumstances of the case.
- RBI guidelines on malus and clawback shall be strictly adhered to.

14. Disclosure

- The Company shall disclose the remuneration paid to Directors, KMP, and Senior Management Employees in its annual report and other relevant disclosures, in accordance with the requirements of the Companies Act, 2013, RBI guidelines, and other applicable regulations.
- The Company shall also disclose the criteria for determining remuneration and the relationship between remuneration and performance.

15. Compliance with RBI Guidelines

- This policy shall be subject to any applicable guidelines or regulations issued by the RBI concerning the appointment and remuneration of Directors, KMP, and Senior Management Employees in NBFC-CICs.
- The Company shall regularly monitor any updates or changes to the RBI guidelines and shall amend this policy as necessary to ensure compliance.
- In the event of any conflict between this policy and the RBI guidelines, the RBI guidelines shall prevail.

16. Policy Review

- This policy shall be reviewed by the Board of Directors or the Nomination and Remuneration Committee at least once every three years, or more frequently as needed, to ensure its continued relevance and effectiveness.

- The review shall consider any changes in the Company's circumstances, industry practices, and regulatory requirements.

17. Amendments

- The Board of Directors reserves the right to modify, amend, or update this policy at any time, subject to the provisions of the Companies Act, 2013, RBI guidelines, and any other applicable laws and regulations.
- Any amendments to this policy shall be approved by the Board of Directors.