



## **PAYTM PAYMENTS BANK LIMITED**

### **NOMINATION AND REMUNERATION POLICY**

The Nomination and Remuneration Policy has been divided into following two chapters:

1. Chapter A - Nomination and Remuneration Policy
2. Chapter B - Remuneration policy for the Part Time Non-Executive Chairman of the Bank

## **CHAPTER A – NOMINATION AND REMUNERATION POLICY**

### **1) Objective and purpose**

- a) 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 and Key Managerial positions and to determine remuneration of Directors, Key Managerial personnel and Other employees.
- b) To determine remuneration based on the Company's size, financial position, trends and practices on remuneration prevailing in peer companies in the similar industry.
- c) To provide them reward, linked directly to their, efforts, performance, dedication and achievement relating to the Company's operations.
- d) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

### **2) Scope of the Policy**

The policy shall be applicable to the following in the Company:

- a) Directors
- b) Key Managerial Personnel (KMP)
- c) Senior Management
- d) Other employees of the Company

### **3) Constitution of the Nomination and Remuneration Committee**

- a) The Board shall determine the membership of the Committee.
- b) The Committee will comprise at least three members of non- executive directors, a majority of whom shall be independent directors.
- c) One of the independent non-executive directors shall be designated by the Board to serve as the Committee's Chairman.

### **4) Appointment criteria and qualifications**

- a) Letter of appointment shall be issued based on the recommendations of the Committee on the basis of the guidelines for the same under the Companies Act, 2013 or the Company Internal policy.
- b) The Committee shall identify and ascertain the integrity, qualification, expertise and experience for appointment to the position of Directors, KMPs & Senior Management.

- c) A potential candidate should possess adequate qualification, expertise and experience for the position he/she is considered for appointment. The Committee shall review qualifications, expertise and experience, as well as the ethical and moral qualities possessed by such person, commensurate to the requirement for the position.
- d) The Committee shall determine the suitability of appointment of a person to the Board of Directors of the Company by ascertaining the 'fit and proper criteria' of the candidate. The candidate shall, at the time of appointment, as well as at the time of renewal of directorship, fill in such form as approved by the Committee to enable the Committee to determine the 'Fit and Proper Criteria' in the format as prescribed by the RBI in its guidelines.
- e) 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 shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
- f) The Committee shall ensure that there is an appropriate induction & training programme in place for new directors, members of senior management, and KMP.
- g) The Committee shall make recommendations to the Board concerning any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provision of the law and their service contract.
- h) The Committee shall recommend any necessary changes to the Board.

## 5) **Term/ Tenure**

- a) **Managing Director/Whole-time Director**
  - i) The Company shall appoint or re-appoint any person as its Chairman & Managing Director<sup>1</sup>, Executive Chairman<sup>2</sup>, Managing Director or Executive Director for a term not exceeding five years at a time.
  - ii) No re-appointment shall be made earlier than one year before the expiry of term of the Director appointed.
  - iii) In terms of RBI circular on “Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board” dated April 26, 2021, no person can continue as MD&CEO or WTD beyond the age of 70 years.
- b) **Independent Director**
  - i) An Independent Director shall hold office for a term up to five 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.
  - ii) No Independent Director shall hold office for more than two consecutive term, but such Independent Director shall be eligible for re- appointment in the Company as Independent Director after the expiry of three years from the date of cessation as such in the Company. The Committee shall take into consideration all the applicable

<sup>1</sup> For Part-time Non-Executive Chairman, Chapter B of the policy should be referred

<sup>2</sup> For Part-time Non-Executive Chairman, Chapter B of the policy should be referred

provisions of the Companies Act, 2013 and the relevant rules, as existing or as may be amended from time to time.

## 6) **Remuneration<sup>3</sup>**

- a) In discharging its responsibilities, the Committee shall have regard to the following policy objectives:
  - i) To ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders;
  - ii) To attract and retain competent executives;
  - iii) To plan short and long-term incentives to retain talent;
  - iv) To ensure that any severance benefits are justified.
- b) The remuneration / compensation / commission etc. to the whole-time director, KMP, senior management & other employees will be determined by the Committee and recommended to the Board for approval.
- c) The remuneration to be paid to the MD and/or whole-time 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 Companies Act, 2013 and the rules made there under.
- d) Increments to the existing remuneration / compensation structure of the Senior Management excluding the Board of Directors comprising of members of Management one level below the Executive Director, including the Functional Heads will be jointly decided by the Chairman & Managing Director and Head-Human resources.
- e) **Remuneration to Whole-time/ Managing Director, KMP, senior management**
  - i) **Fixed pay** - The MD and/or whole-time director / KMP and senior management shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee and the shareholders wherever applicable. The breakup of the pay scale and quantum of perquisites including, employer's contribution towards provident fund, pension scheme, medical expenses, club fees and other perquisites shall be decided and approved by the Board on the recommendation of the Committee.
  - ii) **Minimum Remuneration** - If in any financial year, the Company has no profits or its profits are inadequate, it shall pay remuneration to its MD and/or Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if the Company is not able to comply with such provisions, previous approval of the Central Government shall be required to be obtained
- f) **Remuneration to Non-Executive/ Independent Director:**
  - i) **Remuneration** - The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and with the provisions of Companies Act, 2013 along with the rules made thereunder.
  - ii) **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

<sup>3</sup> For Part-time Non-Executive Chairman, Chapter B of the policy should be referred

amount of such fees shall not exceed the limits prescribed under Companies Act, 2013.

## 7) **Removal**

Due to reasons for any disqualification mentioned in the Companies Act, 2013 and rules made there under 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 or functional heads, subject to the provisions and compliance of the Act, rules and regulations.

## 8) **Retirement**

The director, KMP, senior management & functional heads shall retire as per the applicable provisions of the Banking Regulation Act, 1949, the circulars issued by RBI in this regard, Companies Act, 2013 along with the rules made there under and the prevailing policy of the Company. The Board will have the discretion to retain the KMPs (except CEO) & Senior Management even after attaining the retirement age, for the benefit of the Company.

## 9) **Diversity**

- a) The Company aims to enhance the effectiveness of the Board by diversifying it and obtain the benefit out of it by better and improved decision making. In order to ensure that the Company's boardroom has appropriate balance of skills, experience and diversity of perspectives that are imperative for the execution of its business strategy, the Company shall consider number of factors, including but not limited to skills, industry experience, background, race and gender.
- b) The policy shall confirm with the following two principles for achieving diversity on its Board:
  - i) Decisions pertaining to recruitment, promotion and remuneration of the directors will be based on their performance and competence; and
  - ii) For embracing diversity and being inclusive, best practices to ensure fairness and equality shall be adopted and there shall be zero tolerance for unlawful discrimination and harassment of any sort whatsoever.
- c) In order to ensure a balanced composition of executive, non-executive and independent directors on the Board, the Company shall consider candidates from a wide variety of backgrounds, without discrimination based on the following factors:
  - i) **Gender** - The Company shall not discriminate on the basis of gender in the matter of appointment of director on the Board. The Company encourages the appointment of women at senior executive levels to achieve a balanced representation on the Board.
  - ii) **Age** - Subject to the applicable provisions of the Banking Regulation Act, 1949, the circulars issued by RBI in this regard and the Companies Act, 2013 along with the rules made there under, the age shall be no bar for appointment of an individual as director on the Board of the Company.
  - iii) **Nationality and ethnicity** - The Company shall promote having a boardroom comprising people from different ethnic backgrounds so that the directors may efficiently contribute their thorough knowledge, sources and understanding for the benefit of Company's business;

iv) **Physical disability** - The Company shall not discriminate on the basis of any immaterial physical disability of a candidate for appointment on Company's Board, if he/she is able to efficiently discharge the assigned duties.

v) **Educational qualification** - The proposed candidate shall possess desired team building traits that effectively contribute to his/ her position in the Company. The Directors of the Company shall have a mix of finance, legal and management background, that taken together, provide the Company with considerable experience in a range of activities including varied industries, education, government, banking and investment

#### **10) Annual Declarations for Continuing Directors**

- a) The Company shall at the end of the every financial year, obtain not later than 30th April of relevant financial year, the following declarations reflecting the position as on March 31<sup>st</sup> / 1<sup>st</sup> April, as may be applicable, of the relevant financial year from the existing directors:
  - i) Fit and Proper Declaration and Undertaking in the format prescribed by RBI;
  - ii) Deed of Covenants executed with the Company by the independent and non-executive directors in the format prescribed by the RBI and;
  - iii) Other declarations prescribed in the Applicable Laws.
- b) Apart from the above Directors may provide fit and proper declaration any time during the year in case there is any concern / information that may render them not fit and proper, to continue as Director of the Company, in such format as prescribed by the RBI.
- c) The declarations and undertaking as provided by the directors shall be scrutinized by the NRC. However, the member of NRC interested shall not participate for that matter. The Committee after reviewing and evaluating such declaration and undertaking, recommend to the Board for acceptance or otherwise, as the case may be. Further the Board on the recommendation of the NRC and on its own due diligence shall scrutinize the declaration and undertakings provided and take suitable decision. However, member of the Board interested shall be excluded for participating in that matter.
- d) Based on the declarations obtained and on its own due diligence and scrutiny, if required, shall decide whether directors continue to fulfill the criteria of being fit and proper. As and when require the NRC/Board may refer the information/fit and proper of a Directors to an external agency for due diligence.

#### **11) Minutes of Committee Meeting**

Proceedings of all meetings must be recorded as minutes and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

#### **12) Disclosure of this policy**

The policy shall be disclosed in the Annual report of the Company, as required under Companies Act, 2013, Rules made there under and the Listing Agreement, as amended from time to time and as may be required under any other law for the time being in force.

#### **13) Review**

The Committee as and when required shall assess the adequacy of this policy and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, current law and best practice.

## **CHAPTER B – REMUNERATION POLICY FOR THE PART TIME NON-EXECUTIVE CHAIRMAN OF THE BANK**

1. The Policy covers the remuneration to the Part Time Non-Executive Chairman of the Bank and is governed by the provisions of:
  - a. Banking Regulation Act, 1949;
  - b. RBI Guidelines issued from time to time; and
  - c. Companies Act, 2013 and rules made thereunder to the extent it is not inconsistent with the provisions of the Banking Regulation Act, 1949
2. Remuneration to the Part Time Non-Executive Chairman of the Bank shall consist of two components:-
  - a. **Fixed Remuneration:** - The remuneration in the form of fixed payment payable to the Part Time Non-Executive Chairman of the Bank shall be decided by the Board of Directors, upon the recommendations of the Nomination and Remuneration Committee (NRC) of the Board. The same shall be subject to the approval of the Shareholders of the Bank and approval of the Reserve Bank of India (RBI).
  - b. **Sitting Fees:** - The Part Time Non-Executive Chairman of the Bank is also entitled to sitting fee for participating in the Board and other committee meetings from time to time. The sitting fees for attending meetings of the Board and Committees, as approved by the Board of the Bank shall be within the overall limits as prescribed under Rule 4 of the Companies (Appointment & Remuneration) Rules, 2014, as amended, from time to time.

In addition, the Part Time Non-Executive Chairman shall also be entitled to reimbursement of expenses for attending Board/Committee meetings and for undertaking official visits, if any, on behalf of the Bank.

The Part Time Non-Executive Chairman of the Bank shall be entitled to other benefits as per the Companies Act, 2013, Banking Regulation Act, 1949 and such other provisions as may be applicable from time to time.

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