Policy on appointment & Compensation to Non Executive Directors (including Independent Director) and Criteria for evaluation of Board and its Directors

Policy Document

Secretarial Dept

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Policy on Appointment & Compensation to Non-Executive Directors (including Independent Director) and Criteria for evaluation of Board and its Directors

RBL Bank's Policy on Appointment & Compensation to Non-Executive Directors (including Independent Director) and Criteria for evaluation of Board and its Directors considers Human Resources as its invaluable assets. One of the most important objective is the payment of compensation to all its employees appropriate to respective employee role and responsibilities, achievement of the goals and contributions in the growth of the Bank. Existing Compensation Policy does not have provisions as required for compensation to the Non-Executive Directors (including Independent Director) of the Bank. These Directors devote their time in deliberating on the strategic and critical issues of the Board and Committee meetings of the Bank. They set strategic direction, ensure governance and provide valuable guidance to the CEO on matters critical to the functioning of the Bank. They provide valuable advice, suggestions and guidance to the Management Committee from time to time.

This policy covers the Criteria for identification of persons to be appointed as Non-Executive Directors on the Board of the Bank and also outlines that the framework of Remuneration to Non-Executive Directors should be determined such that their compensation is commensurate with the time, effort and support provided by them to the Bank. This Policy also lays down the criteria for evaluating the performance of the Non-Executive Directors

I. Criteria for identifying persons who are qualified to be appointed as an Non-Executive Directors (including Independent Director)

Section 164 of the Companies Act, 2013 states disqualifications for appointment of any person to become Director of any Company. Any person, who in the opinion of the Board is not disqualified to become a Director, and, possesses the ability, integrity and relevant expertise and experience, can be appointed as Director of the Company. Further, he/she should possess qualifications as mentioned in Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

Section 10A of the Banking Regulations Act, 1949 states criteria and composition of the Board of Directors of a Bank. The Board while considering the candidature of Non-Executive Director (including Independent Director) shall also consider the additional Compliance of the Banking Regulations Act, 1949. The Board of the Bank, shall apart from the skillsets as prescribed by the relevant provisions of the Banking Regulation Act, 1949 and relevant circulars issued by the Reserve Bank of India from time to time shall also possess the required behavioral skills, expertise and knowledge as required for the Bank. Further not less than 51% of the Board of the Bank shall consist of Directors, falling under majority sector as per Banking Regulation Act, 1949.

Thus, all Directors of the Bank shall be eminent professionals with outstanding track record and having skillsets/ competencies / special knowledge or practical experience, which aids the Bank to gain insights for strategy formulation and direction setting, thus adding value to its growth objectives and also providing shareholders with a holistic view. It is important that the practice of careful selection shall continue to be adopted in this regard and eminence, professional standing and stature to guide the growth of the Bank in the future should continue to be taken as appropriate criteria for appointment of Non –Executive Director

The Nomination & Remuneration Committee and the Board of Directors shall evaluate and identify the core skills / expertise / competencies / special knowledge or practical experience, before approving the appointment of a Non –Executive Director (including Independent Director) of the Bank, as required in the context of the Bank's business and sector(s) for it to function effectively.

II. Structure of Remuneration for Non-Executive Directors (including Independent Director)

Non-Executive Directors (including Independent Director) are currently remunerated to attend the Board & Committees meetings. Given the role played by them in setting strategic direction and ensuring governance on continued basis, it is recommended that commission on net profits should also be part of the remuneration for Non-Executive Directors (including Independent Director). Simply put, this means that

these Directors not only receive remuneration by way of fees and reimbursement of expenses for participation in meetings but also in profits which is approved by law.

Therefore, it is decided that going forward,

Total remuneration of Non-Executive Directors (including Independent Director) may include all or any combination of following elements:

a) Fees for attending meeting of the Board of Directors (including through video conferencing means) as permissible under Section 197 of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and decided at the Meeting of the Board of Directors. The fee for attending meetings of the Board by the Non-Executive Directors (including Independent Director) shall be INR 1,00,000/- per Board meeting.

b) Fees for attending meetings of Committees of the Board (including through video conferencing means) which remunerate Directors for additional work on Board Committee as permissible under Section 197 of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are decided by the Board of Directors, from time to time. The fee structure for attending the meetings of the Committee by the Non-Executive Director (including Independent Director) shall be as under:

Sr. No.	Nature of Committee Meeting	Fees (INR)
1.	Audit Committee Meetings (ACB), Risk Management Committee (RMC) & Nomination & Remuneration Committee (NRC)	50,000/-
3.	Other Board Committee Meetings (other than ACB, RMC & NRC)	30,000/-

It shall be noted that no Fees shall be paid to the Non-Executive Directors (including Independent Director) for attending the Board / Committee Meetings through Audio Call. Further, as per the provisions of the Companies Act, 2013, read with Schedule IV with regards to the Code for Independent Directors, the Independent Directors of the Bank shall hold at least one meeting in a Financial Year, without the attendance of Non-Independent Directors and members of the management. No Sitting fees for such Separate Meeting of Independent Directors shall be paid by the Bank.

c) Commission on net profits.

Under Section 197 of the Companies Act, 2013, Non-Executive Directors (including Independent Director) are eligible for a commission out of net profits of the Company up to an overall limit of 1% of the net profits of the Company for each financial year computed as per the Companies Act, 2013 and subject to such limits as may be determined from time to time by the Board of Directors of the Bank.

RBI vide Circular No. DBR. No.BC.97/29.67.001/2014-15 dated June 1, 2015 issued Guidelines on Compensation of Non-Executive Directors of Private Sector Banks as amended by RBI circular on 'Corporate Governance in Banks' dated April 26, 2021 with respect to Remuneration of Non-Executive Directors, in addition to payment of sitting fees for attending Board & its Committee meetings as may be approved by the Board from time to time, and reimbursement of expenses, the Board on the recommendation of the NRC, may provide for payment of compensation in the form fixed remuneration to the Non-Executive Directors (other than Chairperson of the Board) commensurate to each individual director's responsibilities, time commitments, at such monetary value so as to attract qualified competent individuals. Further, in line with the said RBI circular, such remuneration shall not exceed Rs.20 lacs per annum per director. Further, as permitted by the Banking Regulation Act, the Part Time Chairperson of the Bank shall be entitled to a remuneration as may be approved by the Reserve Bank of India and the Bank's shareholders.

Accordingly, the payment of remuneration to the Non-Executive Directors (including Independent Director) shall be subject to the approval of the Members of the Bank.

The Commission, if approved by Board, may be paid to the Non-Executive Directors (including Independent Director) basis the following criteria:

- Performance of the Bank during the particular Financial Year on pro-rata basis;
- Reviewing the Industry practices and bench marks;
- Timely guidance to the Board on important policy matters of the Bank;
- Maintenance of Independence and adherence of Corporate Governance during discussion and proceedings of Board Meetings;
- Number of Board/Committee meetings attended (i.e. Percentage of Attendance);
- Contribution during the meeting;
- Informal interaction with the management.
- Period with Bank, in the Financial year

The general policy is to share such commission among the Non-Executive Directors (including Independent Director) with the exception of higher proportion of commission to the Chairman of the Board, as may be decided from time to time by the Board. However, if the Chairman is receiving any honorarium, with prior RBI approval, no commission shall be payable to the Chairman.

Any increase in the maximum aggregate remuneration payable beyond permissible limits under the Companies Act, 2013 shall be subject to the approval of the Members of the Bank by way of special resolution passed at the General Meeting and/or of the Central Government, the Reserve Bank of India, as may be applicable. The Board while approving the Compensation shall take into account, financial position of the company, trend in the industry, Director's qualification, experience, past performance, past remuneration, etc.

d) Reimbursement of actual expenses incurred:

Non-Executive Directors (including Independent Director) are entitled to be paid all travelling, boarding, lodging and all other incidental expenses that they incur for attending to the Bank's affairs, including attending and returning from General Meetings of the Bank or Meetings of the Board of Directors or Committee of Directors.

III. Criteria for evaluating the performance of Non-Executive Directors (Including Independent Directors):

The performance evaluation of Non-Executive Directors (including Independent Director) shall be done by a confidential peer group meeting or discussions or online submissions or forms i.e. the entire Board excluding the concerned Director being evaluated.

For Independent Directors, dimensions such as consistency of the Bank's performance over the years on key parameters such as profitability, growth and asset quality in relation to its own past performance and that of its peer banks would also be considered.

The performance evaluation of the Board as a whole as well as that of its Committees, Directors (including Independent Directors) and Chairman of the Board shall be carried out based on the criteria for evaluation/ assessment as laid down by the Nomination and Remuneration Committee, in accordance with the relevant provisions of the Companies Act, 2013, the Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Major criteria for evaluation of Board as a whole and its Committees shall inter alia cover various assessment parameters like structure and composition, frequency & duration of meetings, its process and procedures, effectiveness of the Board/Committees, its financial reporting process including internal controls, review of compliance under various regulations, adequate discharge of responsibilities entrusted under various regulations and/or terms of reference of the respective Committees etc.

Major criteria for evaluation of Chairman shall inter alia cover the various assessment parameters like fair / impartial / unbiased attitude in governing the board, dealing with dissent and building consensus, encouraging discussion and deliberations on all important matters, reasonableness and open mindedness on agenda item inclusion requests and active response to management thinking etc.

Major criteria for evaluation of Directors (including Independent Directors) shall inter alia cover the various assessment parameters like attendance and participation during the meetings, their active contribution and independent judgement, cohesiveness, discussion/deliberation on important matters, understanding of the Bank, inputs on providing strategic direction of the Bank etc.

The re-appointment of a Director shall be based on the report of performance evaluation.