

## CHARTER OF THE NOMINATION & REMUNERATION COMMITTEE OF THE BOARD

The Jana Small Finance Bank Limited has in place the Nomination & Remuneration Committee in accordance with the provisions of Section 178 of the Companies Act, 2013 and as required by RBI.

**Chairman:** The Chairman of the Committee shall be a Non-Executive Director. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

The Chairman of the Committee should report to the Board, and as appropriate, make recommendations to the Board after each Committee meeting. The Chairman of the Nomination & Remuneration Committee or, in his absence, any other member of the committee authorised by him in this behalf shall attend the General Meetings of the Bank.

**Composition:** Minimum three Non – Executive Directors majority of them being independent. The Chairperson of the Bank may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee. All the members of the Nomination & Remuneration Committee shall possess the skills and knowledge needed to complete the roles and responsibilities of the Committee. The appointment and removal of the members of the Committee shall be as per the provisions of Companies Act, 2013 and the Rules made thereunder.

**Secretary:** The Company Secretary of the Bank shall act as the Secretary to the Committee. Minutes of the meetings shall be recorded and maintained by the Company Secretary and shall be presented to the Committee for approval at its subsequent meeting.

### Meetings and Quorum:

The Nomination and Remuneration Committee must meet:

- With regard to its recommendations to the Board in respect of appointment of Directors ;
- at least once a year to consider remuneration and diversity matters; and
- at such other times as the Nomination and Remuneration Committee Chair shall require.

The quorum necessary for the transaction of business will be two members.

**The terms of reference:** The terms of reference of the Nomination and Remuneration Committee shall inter alia, include

- a. Formulating the criteria for determining qualifications, compliance with the fit and proper criteria as required under the Reserve Bank of India Guidelines for Licensing of Small Finance Banks in the Private Sector, 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.

The Nomination and Remuneration Committee, while formulating the above policy, should ensure that –

- (i) the level and composition of remuneration be reasonable and sufficient to attract, retain directors
  - (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - (iii) remuneration to directors, key managerial personnel and material risk indicators involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals and in accordance with extant guidelines of the RBI
- b. Formulating criteria for evaluation of performance of independent directors and the Board of Directors;
  - c. To ensure 'fit and proper' status of proposed/existing Directors;
  - d. Devising a policy on diversity of Board of Directors;
  - e. 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 and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance. The Bank shall disclose the remuneration policy and the evaluation criteria in its annual report;
  - f. Extending or continuing the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
  - g. Recommending to the board, all remuneration, in whatever form, payable to whole time directors and material risk takers.
  - h. Administering, monitoring and formulating detailed terms and conditions of the Employees Stock Option Scheme of the Bank
  - i. Carrying out any other function as is mandated by the Board from time to time and / or enforced/mandated by any statutory notification, amendment or modification, as may be applicable; and
  - j. Performing such other functions as may be necessary or appropriate for the performance of its duties.

The role of the Nomination and Remuneration Committee:

Nomination:

- (i) Making recommendations to the Board on the necessary and desirable competencies of directors to ensure that the Board has an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities and deliver the Company's corporate objectives;
- (ii) At the request of the Board, making recommendations for the appointment and reelection of directors;
- (iii) Prior to recommending a candidate for appointment to the Board, undertaking checks as to a candidate's character, experience, education, criminal record and bankruptcy history and any other checks it considers appropriate;
- (iv) Establishing and, at the request of the Board, reviewing induction programs for new directors and continuing education programs for all directors in order to allow new

- directors to participate fully and actively in Board decision-making at the earliest opportunity, and to enable new directors to gain an understanding of: - the industry within which the Company operates; - the Company's financial, strategic, operational and risk management position; - the culture and values of the Company; - the rights, duties and responsibilities of the directors; - the roles and responsibilities of the Company's senior management and its subsidiaries; - the role of the Committees; - meeting arrangements; and - director interaction with each other, senior executives and other stakeholders;
- (v) Regularly reviewing the time commitment required from a non-executive director and whether non-executive directors are meeting this requirement;
  - (vi) Evaluating the performance of the Board, its Committees and directors in line with the processes approved by the Board from time to time;
  - (vii) Developing, implementing and reviewing the Company's succession plans for membership of the Board to ensure: - an appropriate balance of skills, experience expertise and diversity; and - an appropriate structure and composition of the Board;
  - (viii) Ensuring that all non-executive directors: - specifically acknowledge to the Company prior to being submitted for election or re-election that they will have sufficient time to meet what is expected of them; and inform the Chairman of the Company and the Committee before accepting any new appointments as directors of other companies; and
  - (ix) Making recommendations to the Board in respect of the membership and chairmanship of the Audit & Compliance Committee and Risk Management Committee.

Remuneration:

- (i) Determining and agreeing with the Board a framework or broad policy for the remuneration of the Managing Director and such other senior executives as it is designated by the Board to consider. No individual shall be directly involved in deciding his or her own remuneration;
- (ii) In determining such policy, taking into account all factors which it deems necessary. The objective of such policy shall be to ensure that senior executives of the Company are motivated to pursue the long-term growth and success of the Company within an appropriate control framework and that there is a clear relationship between senior executive performance and remuneration;
- (iii) Within the terms of the agreed policy, determining the total individual remuneration package of each senior executive ensuring an appropriate balance between fixed and incentive pay including, where appropriate, bonuses, incentive payments and shares or share options to reflect the short and long-term performance objectives appropriate to the Company's circumstances and goals;
- (iv) Determining the Company's recruitment, retention and termination policies and procedures for senior executives;
- (v) Determining the policy for any incentive schemes to be operated by the Company and asking the Board, when appropriate, to seek shareholder approval for such schemes. The terms of any equity based remuneration schemes shall prohibit entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under these schemes;

- (vi) Determining the policy for superannuation arrangements for the Company's employees;
- (vii) Determining a framework or broad policy for the remuneration of the non-executive directors of the Company;
- (viii) Reviewing and reporting to the Board on the remuneration of directors, senior executives and all employees of the Company based on gender; and
- (ix) Reviewing and approving the corporate governance section of the Company's annual report.

Diversity:

- (i) Ensuring that all decisions, frameworks and policies regarding nomination and remuneration are made giving regard to the Company's objectives in respect of promoting and maintaining diversity throughout the Company and on the Board;
- (ii) Reviewing, developing and making recommendations to the Board and, in particular, establishing measureable objectives to promote and maintain diversity throughout the Company and on the Board; and
- (iii) On at least an annual basis, reviewing and reporting to the Board on: - the Company's progress against the measurable objectives set by the Board for achieving greater gender diversity; and - the Company's compliance with the Diversity Policy, and where necessary, making recommendations to the Board on any changes to the Diversity Policy or the measurable objectives for achieving greater gender diversity.

*For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:*

- *Use the services of external agencies, if required.*
- *Consider candidates from a wide range of backgrounds, having due regard to diversity.*
- *Consider the time commitments of the candidates."*