

# **IndusInd Bank Limited**

## **Policy on Remuneration to Non-Executive Directors**

May 9, 2017

## **I. Regulatory Landscape**

Banks in India registered under different statutes are required to comply with provisions of Section 35B of the Banking Regulation Act, 1949, for the purpose of appointment and payment of remuneration of Managing Director and Chairman.

As regards remuneration to Non-Executive Directors, Reserve Bank of India had advised banks to follow the Companies Act, 2013 for payment of Sitting Fees, subject to the approval of their Board of Directors. Banks are also required to comply with their Articles of Association, and to obtain approval of the shareholders.

Keeping in view the need of banks to attract and retain professional expertise in their Boards, RBI vide their Circular No. DBR.No.BC.97/29.67.001/2014-15 dated June 1, 2015, issued guidelines on payment of Compensation to Non-executive Directors of Private Sector Banks.

## **II. Scope**

RBI guidelines on Compensation to Non-Executive Directors of Private Sector Banks include the following:

### **1. Compensation Policy**

1.1 The Board of Directors, in consultation with its Remuneration Committee, should formulate and adopt a comprehensive Compensation Policy for Non-Executive Directors (other than the Part-Time Non-Executive Chairman), in compliance with the provisions of the Companies Act, 2013.

1.2 The Board may, at its discretion, provide in the Policy, for payment of compensation in the form of Profit-related Commission to Non-Executive Directors (other than the Part-Time Chairman), subject to the bank making profits.

Such compensation, however, has been capped at Rs.1 million per annum for each Director.

### **2. Sitting Fees and reimbursement of expenses**

2.1 In addition to the compensation mentioned in para 1.2 above, the Bank may pay Sitting Fees to the Non-Executive Directors and reimburse their expenses for participation in the Board and other meetings, in line with the Companies Act, 2013.

### **3. Regulatory Approval / Supervisory Oversight**

As hitherto, banks in private sector are required to obtain prior approval of RBI for granting remuneration to the Part-Time Non-executive Chairman under Section 10B(1A)(i) and 35B of the Banking Regulation Act, 1949.

#### **4. Disclosures**

Banks are required to make disclosure of remuneration paid to the Directors on an annual basis, in their Annual Financial Statements.

RBI have advised that keeping in view the enhanced role and responsibilities of Directors, it is appropriate that the remuneration payable by the Bank to Non-Executive Directors should be commensurate with their duties.

In view of the above, banks are now allowed to make payment of compensation, in their discretion, in the form of Profit-related Commission to Non-Executive Directors (other than the Part-time Non-Executive Chairman), in addition to Sitting Fees and expenses incurred by them for participation in the Board and other meetings, subject to making of Profits, and ensuring compliance with Section 197 of the Companies Act, 2013 and other applicable provisions. Such compensation, however, cannot exceed Rs.10 lakhs per annum for each Director.

Further, in terms of Section 10B(1A)(i) and 35B of the Banking Regulation Act, 1949, banks are required to obtain prior approval of RBI for payment of remuneration to Part-Time Non-Executive Chairman, in the form of Profit-related Commission, in addition to Sitting Fees and expenses incurred by them for participation in the Board and other meetings,.

The Remuneration paid to Non-executive Directors (including Part-time Non-Executive Chairman) shall be exclusive of any Sitting Fees paid (details given below) and reimbursement of expenses for participation in the Board and its Committee meetings:

- Board of Directors : Rs.1,00,000/- for every meeting attended
- Audit Committee of the Board : Rs.50,000/- for every meeting attended
- All other Board Committees : Rs.20,000/- for every meeting attended

### **III. Policy Statement**

- **Remuneration to Non-Executive Chairman**

Pursuant to the provisions of Section 10-B(1A)(i) and Section 35B and other applicable provisions of the Banking Regulation Act, 1949, the Companies Act, 2013 and the Rules made thereunder and the provision of the Articles of Association of the Bank, Part-Time Non-Executive Chairman of the Bank shall be entitled to remuneration of Rs.25 lakhs per annum, paid on quarterly basis, with effect from April 1, 2016, in the form of Profit-related Commission not exceeding in the aggregate One per cent of the Net Profit of the Bank (including payment of remuneration to other Non-Executive Directors), such compensation being paid with respect to the Profits of the Bank for each year commencing from April 1, 2015, subject to approval of the Reserve Bank of India.

- **Remuneration to Non-Executive Directors (other than Chairman)**

Pursuant to the provisions of the Companies Act, 2013 and the Rules made thereunder and applicable provisions of the Banking Regulation Act, 1949, guidelines issued by Reserve Bank of India, and the Articles of Association of the Bank, each of the Non-Executive Directors (other than the Part-time Non-Executive Chairman) shall be entitled to remuneration in the form of Profit-related Commission, not exceeding in the aggregate One per cent of the Net Profit of the Bank (including payment of remuneration to the Part-time Non-Executive Chairman), subject to a maximum of Rs.10 lakhs per annum, paid on quarterly basis, with effect from April 1, 2016, such payment being made with respect to the Profits of the Bank for each year commencing from April 1, 2015.

#### **IV. Implementation**

The Nomination and Remuneration Committee of the Board is responsible for vetting of the Policy and providing its recommendations to the Board of Directors, for obtaining approval.

The Policy as may be recommended by the Nomination and Remuneration Committee is to be placed before the Board for approval.

Prior approval of the Members is required to be obtained for payment of remuneration to Non-Executive Directors of the Bank, and to Non-Executive Chairman of the Bank (subject to RBI approval).

#### **V. Review of the Policy**

The Board shall review the Policy annually, including making assessment of effectiveness of the principles set out in the Policy, in particular in case of any material changes in the applicable Acts, Regulations and Guidelines, etc.