



## COMPENSATION POLICY FOR PAYMENT OF REMUNERATION TO DIRECTORS OF THE LAKSHMI VILAS BANK LIMITED

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### **Purpose:-**

As per the provisions of Section 35 B of the Banking Regulation Act, 1949, the remuneration paid to the Executive Directors and to the Non-Executive Chairman of the Bank is subject to prior approval of the Reserve bank of India ("RBI").

The Non-Executive Directors of the Bank are paid only sitting fees for attending the Board/ Board Committee meeting along with reimbursement of out of pocket expenses incurred towards attending the said meetings. The sitting fees are paid as per the provisions of the Companies Act, 2013.

This policy is formulated as per the RBI circular DBR. No. BC. 97/29.67.001/ 2014-15 dated 1st June, 2015 wherein RBI had directed the Bank to adopt a comprehensive compensation policy for the non-executive Directors (other than part-time non-executive chairman) ensuring compliance with the provisions of the Companies Act, 2013.

### **Regulatory Prescription for compensating the Non-Executive Directors:-**

Companies Act, 2013:-

Section 197 of the Companies Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, as amended, allows for payment of sitting fees to Directors for attending meetings of the Board or committees thereof, such sum as may be decided by the Board of directors, which shall not exceed one lakh rupees per meeting of the Board or committee thereof: Provided that for Independent Directors and Women Directors, the sitting fee shall not be less than the sitting fee payable to other directors. The Companies Act also allows for payment of remuneration to directors who are neither Managing Directors nor Whole-Time Directors as a percentage of net profits of the company subject to the limits mentioned therein.

RBI circular DBR. No. BC. 97/29.67.001/ 2014-15 dated 1st June, 2015:-

The Reserve Bank of India vide Circular dated 1<sup>st</sup> June 2015 had permitted that the Board may, at its discretion, provide for in the policy, payment of compensation in the form of profit related commission to the non-executive directors (other than the Part-time



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Chairman), subject to the bank making profits. Such compensation, however, shall not exceed Rs.1 million per annum for each director.

### **Policy Statement:-**

#### (i) Non-Executive Directors:

The Non-Executive Directors shall be entitled for payment of sitting fees and reimbursement of expenses incurred for participation in the Board/Committee meetings which shall be approved by the Board from time to time subject to the provisions of the Companies Act, 2013 and rules made thereunder

However the Non-Executive Directors shall not be paid any payment of compensation in the form of profit related commission.

#### (ii) Part-time Non-Executive Chairman:

The honorarium / remuneration paid to the Part-time non-executive chairman shall be subject to the prior approval of the RBI as per the extant provisions of the Banking Regulation Act and the circulars/directives issued by RBI in connection with the same.

#### (iii) Managing Director & Executive Directors:

The remuneration paid to the Managing Director and other Executive Directors shall be subject to the prior approval of the RBI as per the extant provisions of the Banking Regulation Act and the circulars/directives issued by RBI in connection with the same.

### **Review & Authority:-**

This policy shall be reviewed by the Board of Directors as per the recommendation of the Nomination Remuneration and Compensation Committee of the Board.

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