

Policy on Appointment of Directors

YES Asset Management (India) Limited

Version: [1.0]

Prepared by:

Company Secretarial Department

Reviewed by:

Human Capital Management Department

Approved by:

Board of Directors

Date: January 16, 2018

Background:

As per the provision of section 178 of the Companies Act 2013 and amendments thereof, Nomination and Remuneration Committee ('N&RC') of YES Asset Management (India) Limited (the 'YAMIL') is required to formulate a policy stating criteria for determining qualifications, positive attributes and independence of a director.

Objective:

The objective of the said policy is to:

- 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 Key Managerial positions;
- To lay down the criteria for independence of the Directors; and
- To recommend to the Board their appointment and removal.

Guidelines:

1. Appointment criteria and qualifications:

N&RC shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel (KMP) and recommend to the Board his / her appointment.

A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. N&RC has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

2. Fit and Proper person:

The candidate should be a "fit and proper" person as per SEBI (Intermediaries) Regulations 2008. Fit and Proper Person means a person having:

- a) integrity, reputation and character;
- b) absence of convictions and restraint orders;
- c) competence including financial solvency and net-worth; and
- d) absence of categorization as a willful defaulter.

As per SEBI (Mutual Fund) Regulations, 1996, the Director and KMP of YAMIL should be a person of adequate professional experience in finance and financial services related field and

not found guilty of moral turpitude or convicted of any economic offence or violations of any securities laws.

In case of KMP, he/she shouldn't have worked for any asset management company, mutual fund or any intermediary during the period when its registration has been suspended or cancelled at any time by SEBI.

3. (i) Associate directors:

As per SEBI (Mutual Funds) Regulations, 1996 or any Circular issued by SEBI, any persons providing any type of professional service to the mutual fund, asset management company, trustee company and the sponsors shall be considered as associate directors of AMCs or trustee companies, as the case may be. Also, the persons having any material pecuniary relationship with these entities which in the judgement of the trustees may affect independence of directors shall be treated as associate directors.

(ii) Independent Director:

In terms of the provisions of Section 149 read with Schedule IV of the Companies Act, 2013, an Independent Director is a Director other than a Managing Director or a Whole time Director or a Nominee Director, who: -

- a. is a person of integrity and possesses relevant expertise and experience, in the opinion of the Board of Directors;
- b. is or was not a Promoter of the Company or its holding, subsidiary or associate Company;
- c. is not related to Promoters or Directors in the Company, its holding, subsidiary or associate Company;
- d. have or had no material pecuniary relationship with the Company, its holding, subsidiary or associate Company, or their Promoters or Directors, during the two immediately preceding financial years or during the current financial year;
- e. none of whose relative, has or had pecuniary relationship or transaction with the Company, its holding, subsidiary or associate Company, or their Promoters, or Directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year.
- f. neither himself nor any of his relatives –
 - (i) holds or has held the position of a Key Managerial Personnel or is or has been employee of the Company or its holding, subsidiary or associate Company in any of the three financial years immediately preceding the Financial Year in which he is proposed to be appointed.

- (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the Financial Year in which he is proposed to be appointed, of:-
 - A. a firm of Auditors or Company Secretaries in practice or Cost Auditors of the Company or its holding, subsidiary or associate Company; or
 - B. any legal or a consulting firm that has or had any transaction with the Company, its holding, subsidiary or associate Company amounting to ten per cent or more of the gross turnover of such firm;
- (iii) holds together with his relatives' two percent or more of the total voting power of the Company;
- (iv) is a Chief Executive or Director, by whatever name called, of any Non-Profit Organization that receives twenty-five percent or more of its receipts or corpus from the Company, any of its Promoters, Directors or its holding, subsidiary or associate Company or that holds two percent or more of the total voting power of the Company; or
- (v) is a material supplier, service provider or customer or a lessor or lessee of the Company;
- g. is not less than 21 years of age.
- h. possesses such other qualifications as may be prescribed under the Companies Act, 2013 or by any other authorities.

Further, in terms of the SEBI (Mutual Funds) Regulations, 1996, an Independent director is a person who is not associated with, the sponsor or any of its subsidiary or the trustee.

Process for appointment/re-appointment of Directors:

1. Role of N&RC of the Company under the Policy:

(a) With respect to the existing Members of the Board of Directors

The existing Directors of the Company shall submit 'Fit and Proper' declaration confirmation on having complied with the "fir and proper" requirements as stipulated by SEBI and the disclosure of Interest under section 184 and confirmation under Section 164 of the Companies Act, 1996 on an Annual basis. The 'Fit and Proper' declaration, Disclosure of Interest u/s 184 and confirmation u/s 164 of the Companies Act, 2013 so received from the Directors other than the members of the N&RC shall be placed before the N&RC of the Board. The 'Fit and Proper' declaration received from the Members of the N&RC shall be placed before the Board of Directors for consideration. However, the Disclosure of Interest u/s 184 and confirmation u/s 164 of the Companies Act received from all the Directors shall be placed before the Board of Directors for consideration.

The N&RC or the Board, as the case may be, shall carry out the due diligence and examine the qualification, knowledge, skill sets and experience of directors vis-à-vis Company's requirements and recommend the suitability of the existing Directors to continue to hold appointment or for re-appointment as Directors on the Board, based on the declarations provided by them. The N&RC or the Board, as the case may be, shall also assess the level of adherence to "fit and proper" requirements by the concerned Director(s) and other disclosures and confirmations as submitted by them and any instance of deviation therefrom shall be examined periodically before making recommendation for re-appointment.

(b) With respect to the appointment of a new Director on the Board of the Company

The N&RC of the Company shall also carry out the due diligence and recommend the suitability of the new Director to the Board and shall have due regard to the following:

- The 'Fit and Proper' declaration as per SEBI (Mutual Funds) Regulations, 1996 or any Circular issued thereunder, Disclosure of Interest u/s 184 and Confirmation u/s 164 of the Companies Act, 2013 submitted by the candidate shall be submitted to the N&RC of the Board for consideration. The Committee shall conduct a detailed analysis of the above declaration and confirmations received from the candidate;
- The N&RC shall consider age, formal qualification, expertise, experience, proven track record, integrity, etc of the candidate and shall also examine the knowledge, skill sets and number of years of experience of the candidate vis-à-vis Company's requirements;
- The N&RC shall also conduct due diligence of the candidate to determine capability to uphold the highest standards of Corporate Governance;
- The N&RC and the Board of Directors shall consider the background and experience of potential Directors so that there is adequate and diversified representation on the Board;
- The N&RC shall also consider specialized knowledge and professional competence in relevant disciplines such as asset management, mutual fund, risk management, finance, financial services, strategic planning, etc. which would have significant value addition to the deliberations and decisions taken by the Board;

- The N&RC shall consider overall suitability of the candidate in the Board of Directors of the Company.

2. Role of Board of Directors of the Company under the Policy:

The Board of Directors of the Company shall confirm the suitability of the new Directors as well as the existing Directors to continue to hold appointment as Directors on the Board based on the due diligence carried out and the recommendation made by the N&RC. The Board will make its own assessment on the recommendations of the N&RC with respect to induction of new members to the Board.

The Board of Directors of the Company shall appoint/ re-appoint Directors based on the recommendations of the N&RC as mentioned above and after considering the Disclosure of Interest and Confirmation received from respective Directors u/s 184 and 164 of the Companies Act, 2013 respectively.

The Board shall carry out the due diligence of the members of the N&RC and consider their suitability to continue to hold appointment as Directors on the Board based on the information provided by them.

The Board thereafter shall make necessary recommendation to the Shareholders for appointment of such Directors on the Board of the Company as applicable pursuant to the provisions of the Companies Act, 2013 and SEBI (Mutual Funds) Regulations, 1996.

3. Periodic review of profile of directors vis-à-vis Company's requirements

The composition of the Board is driven by various requirements of the Company such as qualification, knowledge, skill and experience of the Directors. As a part of the Annual exercise of Fit and Proper Review, the N&RC shall review the qualification, knowledge, skill and experience of the existing directors and determine if they continue to meet the requirements of the Company. Upon its review, if the N&RC finds that the directors meet the requirements of the Company, it makes further recommendation to the Board for their re-appointment. In case of any gap in the skills and if the same can be upgraded by training, it shall make necessary recommendation to the management, through the Board, for organizing Training for the concerned Board Members. If the N&RC comes to the conclusion that a Board Member ceases to fit the requirement of the Company, it shall communicate its concerns to the said director, who shall be requested to step down and necessary replacement would be sought, as may be deemed necessary by the Board.

Further, the N&RC on an Annual basis, shall also assess the various skill sets and experience of the Board members and evaluate the same as against the Company's requirements which

shall be based on the business and regulatory requirements. If the N&RC forms an opinion that there is a need for induction of a new director with a specific skill or experience to bridge the gap, it shall make a recommendation to the Board for induction of a new director. In such case, the Company shall follow the procedure laid down in this policy with regard to Fit and Proper Criteria for induction of a director.

4. The periodicity and process to be followed by the Company:

- ✓ **At the time of new appointment on the Board of Directors:** The due diligence exercise shall be undertaken to determine the suitability of the person for appointment as a Director on the Board.
- ✓ **Annual exercise:** The Board of Directors/N&RC of the Company shall take up due diligence exercise as on 31st March each year. The 'Fit and Proper' declaration and Disclosure of Interest u/s 184 and the Confirmation u/s 164 of the Companies Act, 2013 submitted by the Directors (other than the Directors who are members of the N&RC) shall be placed before the N&RC at their first meeting held in the new financial year. The 'Fit and Proper' declaration submitted by the members of the N&RC shall be submitted to the Board of Directors of the Company at their first meeting held in the new financial year. However, the Disclosure of Interest u/s 184 and confirmation u/s 164 of the Companies Act received from all the Directors shall also be placed before the Board of Directors at their first meeting held in the new financial year.
- ✓ **In case of any change in particulars:** Where there is any change in any particulars of individual director such as other directorship / shareholding / Committee Membership and Chairmanship or any other details as may be required, such details shall be furnished by the Directors to the Board without delay.

5. Strengthening of the Board and Succession Planning:

The Company continues to focus on its efforts to strengthen the Board to meet its business requirements. The need for induction of additional members on the Board derives from predominately the below mentioned three factors:

- Business Requirements and the growth trajectory;
- Requirements under Companies Act, 2013; and
- The SEBI (Mutual Funds) Regulations, 1996 or any Circular issued thereunder.

1. Business requirements:

The Asset Management Industry is growing rapidly especially in past few years and there is more emphasis on development of Indian Economy, channelizing household

investments, more focus on technology and research, effective risk management with ample attention on the employee and investors. The Company's Succession Planning for Directors shall be guided by these factors.

The composition of the Board shall comprise of experts from diverse fields with proven track record, who apart from effectively contributing to Board deliberations are also capable of chairing Committees such as Audit Committee, N&RC, etc.

The Company shall review the strength of the Board on an ongoing basis keeping in mind its business requirements and the need to fill the vacancy which may be caused by the retirement of any director. Such a review shall be done on an annual basis by the Board.

2. Requirements under Companies Act, 2013 and SEBI (Mutual Funds) Regulations, 1996:

The Composition of the Board shall also be driven by provisions of the Companies Act, 2013 SEBI (Mutual Funds) Regulations, 1996. The Mutual Fund Regulations and the Companies Act have been prescribing from time to time the composition of the Board consisting the Independent Directors, Non-Independent Directors and Woman Director for various Companies. The succession planning of the Company should be planned considering the requirements of certain minimum number of Independent Directors/Woman Director, when applicable, with certain skill sets. The requirements with respect to the composition of the Board prescribed under the Companies Act and the Mutual Fund Regulations are as under:

A. *The Companies Act, 2013:*

- Every Public Companies having paid up share capital of Rs. 10 Crore is required to have at least 1/3 strength of the Board as Independent Directors and at least one woman director in case the paid up capital is Rs. 100 crore;
- An Independent Director can be appointed for a period of five years at a time with maximum two tenures of five years each. However, the second term is subject to approval by shareholders by way of special resolution.
- Non-Executive and non-Independent Directors are liable to retire by rotation. Section 152(6) of the Companies Act provides that not less than two-thirds of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation and one-third of such of the directors for the time being as are liable to retire by rotation, or if their number is neither three nor a multiple of three, then, the number nearest to one-third, shall retire from

office at every Annual General Meeting. However, the total number of Directors as referred above shall not include Independent Directors.

B. SEBI (Mutual Funds) Regulations, 1996:

- The Board of Directors of Asset Management Company shall have at least 50% Directors (Independent Directors) who are not associate of, or associated in any manner with, the sponsor or any of its subsidiaries or the trustees;
- Appointment of each AMC director will be subject to YTL approval;
- The Directors of the AMC are persons having adequate professional experience in finance and financial services related field and not found guilty of moral turpitude or convicted of any economic offence or violation of any securities laws;
- The Chairman of the Asset Management Company shall not be a Trustee of any Mutual Fund.
- Independent director will hold office for a maximum two years with each team not exceeding a period of 5 consecutive years.

The Company should consider the above provisions while planning induction of a new Board member.

6. KMP:

In case of KMP appointment, NRC will review the candidature in the context of business requirement, his/her experience in financial service sector, standing, skill sets to perform the role. After satisfying with the candidature, NRC would recommend the appointment of KMP to the Board of Directors of the Company.

Review of the Policy:

The Policy shall be reviewed on a periodical basis. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity at the Board Meeting. However, the amended regulatory requirements will supersede the Policy till the time the Policy is suitably amended.

End of the Policy