

<b>Source:</b>	<b>Volkswagen Finance India Organisational Handbook</b>
<b>Document title:</b>	<b>Guideline_ Director's Appointment and Remuneration</b>
<b>Document classification:</b>	<b>Internal</b>
<b>Document hierarchy:</b>	<b>Charter</b>
<b>Valid from:</b>	<b>01-09-2015</b>
<b>Replaces version of:</b>	<b>27-01-2015</b>
<b>Stakeholder:</b>	<b>VWFPL Board of Directors, Nomination &amp; Remuneration Committee</b>
<b>Responsible department:</b>	<b>Compliance</b>

<b>Version</b>	<b>Valid Date</b>	<b>Status</b>	<b>Author</b>	<b>Approved By</b>	<b>Cross Reference (Title and Version)</b>
V	January 27, 2015	Original	Dipti Khandelwal	Guy Broekmans Pieter Griep	-
V1	September 01, 2015	Modified	Dipti Khandelwal	Andreas Kutzner Pieter Griep	Guideline_ Director's Appointment and Remuneration and Version V

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## 1. Purpose

The purpose of this guideline is to define the overall framework of for determining appointment of directors which includes qualifications, positive attributes, fit and proper criteria and Independence on a continuing basis at Volkswagen Finance Private Limited (VWFPL) India.

## 2. Applicability

This guideline has been developed in consonance to Section 178 of the Companies Act, 2013, Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 (hereby referred to as the Rules) notified by the Ministry of Corporate Affairs, Government of India in 2014 and RBI Circular no. RBI/2014-15/299, DNBR (PD) CC.No. 002/03.10.001/2014-15 dated November 10, 2014, Notification No. DNBR.019/CGM (CDS)-2015 dated April 10, 2015 and such other applicable section of the Companies Act, 2013 and Regulation of RBI as may be applicable from time to time.

## 3. Introduction

The Board of Directors should have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their duties and responsibilities effectively.

The search for directors should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.

## 4. Evaluation of Fit & Proper Criteria:

1. Due diligence to be undertaken to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. VWFPL should obtain necessary information and declaration from the proposed / existing directors for the purpose.
2. The process of due diligence should be undertaken by VWFPL at the time of appointment / renewal of appointment.
3. It is the responsibility of the Nomination & Remuneration Committee to scrutinize the declarations.
4. Based on the information provided in the signed declaration, Nomination & Remuneration Committee should decide on the acceptance or otherwise of the Directors, where considered necessary.

5. VWFPL should obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.

6. The Board of the VWFPL must ensure in public interest that the nominated/ elected directors execute the deeds of covenants.

#### **5. Criteria for determining Independence of Director:**

An Independent Director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director of VWFPL,—

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

(i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

(b) who has or had no 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;

(c) none of whose relatives 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, whichever is lower, during the two immediately preceding financial years or during the current financial year;

(e) who, neither himself/ herself 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 per cent. or more of the total voting power of the company;  
or

(iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(f) who possesses such other qualifications as may be prescribed.

A certificate shall be obtained annually to determine the Fit and Proper Criteria and Independence of the Director on continuous basis.

Nomination and Remuneration Committee would recommend the appointment or otherwise of Directors to the Board of Directors for their approval. The Board shall appoint the directors on such terms and conditions including the remuneration as may be decided by the Board and in accordance with the Companies Act 2013 and such other regulations for the time being in force.

#### **6. Criteria for appointing Managing Director:**

Appointment of any Managing Director of the Company would be proposed by the majority shareholder of the Company to the Nomination and Remuneration Committee. The Nomination & Remuneration Committee would propose their appointment in accordance with the Companies Act 2013 and RBI regulation as may be amended from time to time, to the Board of Directors.

#### **7. Qualification to become Director:**

An Individual shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations, experience in Banking or Non-Banking Financial Company or other disciplines related to the company's business or as may be further required by the Board.

**8. Evaluation Mechanism:**

- (1) The performance evaluation of directors including independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the director including independent director.