

**VEDIKA CREDIT CAPITAL LIMITED**

**Nomination and Remuneration Policy  
(including Compensation Policy, Fit  
and Proper Criteria)**

## **1. OBJECTIVE**

The objective of the Nomination and remuneration policy (NRC Policy) is to regulate the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), Senior Managerial Personnel and other employees as per the criteria formulated by the Nomination and Remuneration Committee (NRC) of the Board under the requirement of the Companies Act, 2013 (referred to as “Act”) read with Schedule V and applicable Rules and Regulations under the Act, Securities and Exchange Board of India (SEBI) Listing Obligations and Disclosure Requirements) Regulations, 2015 “Listing regulations” as amended time to time, to the extent applicable and Reserve Bank of India (RBI) directions time to time.

Further RBI came out with scale based regulations vide notification no. RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24 dated October 19<sup>th</sup> 2023, updated from time to time, covering Guidelines on Compensation of Key Managerial Personnel (KMP) and SMP in NBFC. The NRC policy shall regulate the same as may be notified by RBI or other Regulatory Authority from time to time.

The purpose of the document is to exhibit how the Company aims to achieve a balance of experience and skill amongst its directors, according to the needs of its business model. It also defines the role of the Nomination and Remuneration Committee.

## **2. KEY CONSIDERATION**

### **Role and Procedure for appointment and compensation of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel (SMP)**

#### **List includes but not limited to:**

- Ensure compliance with applicable laws, rules and regulations as well as ‘Fit and Proper criteria’ of directors before their appointment
- Institutionalize a mechanism for the appointment/ removal/ dismissal of directors and lay down selection criteria for appointment of director
- Formulate criteria for determining qualifications, positive attributes and independence of directors
- Formulate criteria for determining qualifications, positive attributes for the appointment, Retention, motivation and promote talent and to ensure long term sustainability of KMP.
- Devise a policy on Board diversity
- Develop and regularly review succession plan for the Board

- Formulate the criteria for evaluation of performance of all the Directors on the Board
- Establish standards on compensation/ remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry
- Define internal guidelines for payment of perquisites to the directors and KMP.

### **3. DEFINITION/ ABBREVIATIONS:**

Words and expressions used and not defined in this policy but defined in any act applicable on the Company shall have the meanings respectively assigned to them in those Acts.

- 3.1 "Company"** shall mean Vedika Credit Private Limited
- 3.2 "Board of Directors" or "Board"**, in relation to the company, means the collective body of the Directors of the Company;
- 3.3 "Chief Financial Officer (CFO)"** means a person appointed as the Chief Financial Officer of the Company;
- 3.4 "CxO"** means and includes Chief Operating Officer, Chief Technology Officer, Chief Human Resource Officer, Chief Risk Officer, Chief Information Officer, Chief Compliance Officer, Chief Business Officer and other designations reporting to Managing Director & CEO as being defined under this category by the NRC time to time.
- 3.5 "Company Secretary (CS)" or "Secretary"** means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 (56 of 1980) who is appointed by the Company to perform the functions of a company secretary under this Act;
- 3.6 "Compensation Policy"** compensation policy means policy for providing compensation to Employees of the Company in the manner prescribed in Annexure – I
- 3.7 "Competent Authority"** under this policy means the Appointing Authority or any person(s) who has been delegated by the Board or any Committee of Board or Managing Director & Chief Executive Officer (MD & CEO) the powers to exercise any rights under this policy, for any employee(s) or class of employees.
- 3.8 "Director"** means a director appointed to the Board of the Company collectively referred to as "**Director**";
- 3.9 "Employee"** means an employee who is on the rolls of the Company and holding Employee ID but would not include persons engaged directly or indirectly in the organization as under:
- i. **Apprentice or Trainee by whatever name called**
  - ii. **Contractual or Retainership**
  - iii. **Temporary or Adhoc**
  - iv. **Employees of the Contractor or under Outsourcing arrangement**

**3.10 "Employees' Stock Option (ESOP)/ Share-linked Instruments"** means the option given to the directors, officers or employees of the Company which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the Company at a future date at a pre-determined price as per the duly approved ESOP Policy under the provisions of Companies Act, 2013 or under any other law for the time being in force.

**3.11 "Independent director"** means a non-executive director, other than a nominee director of the listed entity:

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

(ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company or member of the promoter group of the listed entity;

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

(iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;

(v) none of whose relatives—

(A) is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;

(B) is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;

(C) has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or

(D) has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income: Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.

(vi) who, neither himself/herself, nor whose relative(s) —

(A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company or any company belonging to the promoter group of the listed entity, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed: Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.

(B) 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 —

(1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or

(2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

(C) holds together with his relatives two per cent or more of the total voting power of the listed entity; or

(D) is a chief executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, 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 listed entity;

(E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;

(vii) who is not less than 21 years of age.

(viii) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director:

Explanation- In case of a 'high value debt listed entity':

(a) which is a body corporate, mandated to constitute its board of directors in a specific manner in accordance with the law under which it is established, the non-executive directors on its board shall be treated as independent directors;

(b) which is a Trust, mandated to constitute its 'board of trustees' in accordance with the law under which it is established, the non-employee trustees on its board shall be treated as independent directors.

**3.12 "Key Managerial Personnel (KMP)", in relation to the Company, means—**

- i. the Managing Director & Chief Executive Officer (MD & CEO);
- ii. the Whole-Time Director;
- iii. the Company Secretary;
- iv. the Chief Financial Officer;
- v. the CxO
- vi. such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the NRC or Board; and such other officer as may be prescribed by the Board from time to time;
- vii. persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity (Ind AS 24).

**3.13 "Managing Director & Chief Executive Officer (MD & CEO)" means a Director who, by virtue of the Articles of the Company or an agreement with the Company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of the management of the affairs of the Company and includes a Director occupying the position of the Managing Director & Chief Executive Officer (MD & CEO), by whatever name called.**

- 3.14 “Senior Managerial Personnel (SMP)”** shall mean Senior Managerial Personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the Department Heads reporting to KMPs.
- 3.15 “Nomination and Remuneration Committee (NRC)”** means Nomination and Remuneration Committee of the Board.
- 3.16 “Policy”** means the Nomination & Remuneration Policy of the Company.
- 3.16 “Relative” means** Means a “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under. **“Shareholders’ Agreements”:** shall mean as may be executed by the Company with different investors from time to time
- 3.17 “Whole-Time Director (WTD)”** includes a director in the whole-time employment of the Company;
- 3.18 “Malus”** Arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.
- 3.19 “Clawback”** Contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances.

#### **4. APPLICABILITY**

All new appointments made in the Board of Directors, KMP and SMP will be covered under this policy. Further, it also covers the remuneration of all existing and new directors as well as KMP. The policy shall be applicable to the following:

- (i) Directors
- (ii) Applicable Employees prescribed as under:
  - a. Key Managerial Personnel
  - b. SMP
  - c. Other Employees as may be specified by the NRC

#### **5. COMPENSATION GUIDELINES**

In order to address issues arising out of excessive risk taking caused by misaligned compensation packages, it has been decided that NBFCs shall put in place a Board approved compensation policy. The guidelines shall at the minimum include:

- a) constitution of a Remuneration Committee,
- b) principles for fixed/ variable pay structures, and
- c) malus/ claw back provisions. The Nomination and Remuneration Committee shall ensure that there is no conflict of interest.

#### **6. AUTHORITY TO REGULATE & CONSTITUTION OF NRC**

The Board of the Company has constituted a NRC. Its role, scope and constitution are defined and approved by the Board.

- a) One of the responsibilities of the NRC is to oversee the framing, review, and implementation of the compensation practices of the organization.

- b) The NRC also ensures ‘fit and proper’ status of proposed/existing directors, and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management.
- c) Two out of three members of the NRC are independent directors. Two members of the NRC are also members of the Risk Management Committee (RMC) of the Board. This ensures effective alignment between compensation and risk.
- d) Ensure compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).
- e) The Constitution of the NRC is reviewed periodically by the Board.

### **CONSTITUTION OF THE COMMITTEE**

The Board of directors of the Company shall constitute a Nomination and Remuneration Committee (NRC) of the Board. The Constitution of the committee shall as per the extent law shall consist of three non-executive directors out of which two shall be the Independent Director. The Chairman of the Committee shall be an Independent Director. The Board may change the constitution as may be amended from time to time keeping in view the Governance standards or in line with the regulatory requirements.

### **7. ROLE AND POWERS OF NRC**

- a) The Nomination and Remuneration Policy (the “Policy”) applies to the Board of Directors (the “Board”), KMPs Personnel and the SMPs of the “Company”
- b) The Board is ultimately responsible for the appointment of Directors. In terms of Section 178 of the Companies Act, 2013, the Nomination and Remuneration Committee (“NRC”) assesses and selects candidates for Directors (both independent and non-independent) and recommends to the Board for their appointment.
- c) The NRC shall also ensure that the remuneration payable to the Managing Director(s), CEO, Whole-time Directors and KMPs, SMPs, Other Personnel are in accordance with the provisions of prevalent Shareholders’ Agreement, Articles of Association of the Company and the Companies Act, 2013 and the Rules made thereunder (including any statutory modifications or re-enactments thereof) for the time being in force and the Regulations prescribed by RBI including those on malus and claw back, as per RBI Circular dated 29th April 2022.

- d) The Company shall ensure to comply with RBI directions to seek prior approval, wherever applicable, before effecting appointment of non-independent director as an additional director.
- e) Responsibility of NRC:
- Reviewing the structure, size and composition (including the skill, knowledge and experience) of the Board for recommending any proposed changes to the Board with due regard to Board diversity and company needs
  - Identifying individuals suitably qualified to become Board members, KMPs and SMPs.
  - Making recommendations to the Board on the appointment, reappointment or removal of directors and KMPs.
  - Making recommendations for succession planning for KMPs and other SMPs including the Managing Director(s), Whole-time Director(s) and CEO.
  - Formulating criteria for evaluation of performance of every Director including Independent Directors and the Board and KMPs Personnel;
  - Recommending remuneration payable to KMPs Personnel, executive and non-executive Directors including sitting fees.
  - NRC shall ensure fit and proper status of the proposed and existing directors and that there is no conflict of interest of directors on the Board of the Company, KMPs Personnel and SMPs personnel.
  - To carry out all such functions as may be required by the regulators including but not limited to :-
    - i. Granting loans and advances to directors, their relatives and to entities where directors or their relatives have major shareholding.
    - ii. Granting loans and advances to applicable employees of the Company.
    - iii. Carry out such other functions as may be required by the Board from time to time.

## **8. APPOINTMENT OF DIRECTORS/ MANAGING DIRECTOR/ WHOLE TIME DIRECTOR**

### **8.1 Board of Directors**

- (i) The Board of Directors shall be responsible to ensure a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the Board

- (ii) The Nomination and Remuneration Committee of the Company shall identify persons who are qualified to become directors in accordance with the applicable regulatory norms.
- (iii) **Composition:** The Company shall have a Board of Directors consisting of individuals as Directors and shall have a minimum of three directors and maximum of fifteen directors. Considering the need for professional experience in managing the affairs of NBFCs, at least one of the directors shall have relevant experience of having worked in a bank/ NBFC. The Board of Directors of the company shall have an optimum combination of executive, non-executive and independent directors.
- (iv) **Appointment Criteria:** In evaluating the suitability of individual Board member, the company shall take into account the following criteria regarding qualifications, positive attributes and independence of director:
  - a. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.
  - b. Ability of the candidates to devote sufficient time and attention to his professional obligations as Director for informed and balanced decision making.
  - c. Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Directors.
  - d. Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman/ any other Director and Company Secretary/authorized person will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Act as well as SEBI Listing Regulations. The Company Secretary/ Authorised Person shall ensure that approval of shareholders for appointment of a person on the Board of Directors if required, is taken at the next general meeting from the date of appointment or in such other manner as may be permitted under the applicable law.
  - e. The NRC must ensure that 'fit and proper' criteria as prescribed by RBI has been followed by company and shall ensure:
    - i. The Board of Directors of the Company while nominating/ co-opting directors should be guided by certain broad 'fit and proper' norms for

directors, viz. formal qualification, experience, track record, integrity etc. For assessing integrity and suitability features like criminal records, financial position, civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies, previous questionable business practices etc should be considered. The Board of Directors may, therefore, evolve appropriate systems for ensuring 'fit and proper' norms for directors, which may include calling for information by way of self-declaration, verification reports from market, etc.

- ii. The candidate should normally be a graduate (which can be relaxed while selecting directors for the categories of farmers, depositors, Investors, artisans, etc.).
- iii. The upper age limit for CEO & MD and other Whole Time Directors (WTDs) of the Company should be as per the laws in force.
- iv. He / she should not be a Member of Parliament / Member of Legislative Assembly / Member of Legislative Council.

(v) **Disqualifications and Restrictions:** The Company shall not employ any person as a Director

- Who is, or at any time has been adjudicated insolvent,
- Or has suspended payment or has compounded with his creditors in case of wilful default,
- Or who is, or has been, convicted by a criminal court of an offence involving moral turpitude

## 8.2 Independent Director

- (i) The Board of Directors and SMP shall facilitate the Independent Directors to perform their role effectively as a member of the Board of Directors and also a member of a committee of Board of Directors. The Nomination and Remuneration Committee of the Company shall decide whether to extend or continue the term of appointment of the Independent Director on the basis of the report of performance evaluation of independent directors and subject to the provisions of law.
- (ii) The Independent Directors of the company shall hold at least one meeting in a year to be called Independent Director's Meeting, without the presence of non-independent directors and members of the management and all the Independent Directors shall strive to be present

at such meeting.

- (iii) Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time
- (iv) The Board shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time. There shall be no restriction for the independent director on the Board of NBFC-BL(NBFC- base layer)
- (v) **Qualification:** The Company should appoint such persons as independent directors who in the opinion of the Company are persons with integrity, possessing relevant expertise and experience and who satisfies the criteria for independence laid down under any law in force or under the NRC Policy. The Independent directors shall follow the Code of Conduct of the Company as set out in this policy and the duties of the Independent Directors.
- (vi) **Terms of Appointment:** The Board forms an opinion on the integrity, relevant expertise and experience of the proposed candidate considering the following criteria of independence as laid down under the Companies Act, 2013 and SEBI Listing Regulations and as amended from time to time.
- (vii) **Tenor :**  
The appointment of an Independent Director on the Board of Directors of the Company shall be for a period up to 5 years from his/her effective date of appointment, which can be extended for a further period of 5 years subject to the approval of shareholders as per law.
- (viii) The Management will familiarize the Independent Directors on the following:
  - Company's History, Structure and the Business Model.
  - Memorandum & Articles of Association of the Company.
  - Past 3 (three) years accounts and any important factors in the accounts of the Company.
  - Interaction with other Directors on the Board and with the Senior Executives of the Company.

### 8.3 KMP/ SMP

- The Committee will recommend the persons who may be appointed as Key

Managerial Personnel/ SMP recommend to the Board their appointment.

- The Committee would then consider the proposals and recommend the same to the Board for approval.
- Except for directorship in a subsidiary, Key Managerial Personnel/ SMP shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. It is clarified that they can assume directorship in NBFC-BLs.
- The Company should appoint such persons who in the opinion of the Company, are persons with integrity, possessing relevant expertise and experience.

## **9. RE-APPOINTMENT/ CESSATION OF DIRECTOR/ MANAGING DIRECTOR/ WHOLE TIME DIRECTOR**

The re-appointment of independent director shall be on the basis of report of performance evaluation. The Company shall re-appoint Chairman, MD or CEO as per the policy and the laws in force.

One third of the total number of directors (excluding independent directors) shall retire by rotation at every Annual General Meeting (AGM). If the number of retiring directors is neither three nor a multiple of three, then, the number nearest to one-third, shall retire from office.

The directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment. The Company may fill up the vacancy on account of retirement by rotation, by appointing the retiring director or some other person.

### **9.1 Resignation/Removal of a Director/ Managing Director/ Whole Time Director**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulation, the Nomination and Remuneration Committee may recommend to the Board with the reasons recorded in writing, removal of a Director, KMP or SMP subject to the provisions and compliance of the Companies Act, 2013. Appointment of a director may also be terminated in accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company from time to time in force.

**9.2 Resignation of Director:** The Company shall intimate the Registrar about the resignation of the Director and shall place the fact of such resignation in the

report of directors laid in the immediately following general meeting. The resignation of a director shall take effect from the date on which the notice is received by the Company or the date, if any, specified by the director in the notice, whichever is later. The director who has resigned, shall be liable even after his resignation for the offences which occurred during his tenure.

**9.3 Removal of Directors:** The Company shall by an ordinary resolution, remove a director before the expiry of the period of his office after giving him a reasonable opportunity of being heard, in case the Company has not appointed such director by adopting the principle of proportional representation. The director who was removed from office shall not be re-appointed as a director by the Board of Directors.

The Company shall send a special notice to remove a director or to appoint somebody in place of a director at the meeting at which he is removed. A director so appointed shall hold office till the date up to which his predecessor would have held office if he had not been removed.

#### **9.4 Resignation/Removal of Independent Director**

In case of removal or resignation of Independent Directors from the Board, the Company shall replace such directors by a new independent director within a period of not more than 180 days from the date of such resignation or removal.

Provided where the Company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

### **10. REMUNERATION OF DIRECTORS**

The Nomination and Remuneration Committee (NRC) of the Company shall evaluate the performance of the Directors including Independent Directors and recommend to the Board all fees, compensation/remuneration and professional fees including fixed and variable and perquisites. The Board of Directors shall recommend all fees, compensation and professional fees, if any, paid to non-executive directors, including independent directors and shall require approval of Board. The same shall be approved in shareholders in general meeting where ever necessary as per law. The NRC shall ensure the following:

- the level and composition of remuneration is reasonable and sufficient to

attract, retain and motivate directors of the quality required to run the company successfully;

- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- remuneration to directors, key managerial personnel and SMP involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

The Company shall obtain prior approval from the NRC on the remuneration paid to the Chairman, Managing or whole-time Director or any other director.

### **10.1 Remuneration to Director/ Managing Director/ Whole Time Director**

The Remuneration/ Compensation/ Commission etc. to be paid to Director / Managing Director/ Whole time Director etc. shall be governed as per provisions of the Companies Act, 2013 read with schedule V and rules and guidelines of Reserve Bank of India made there under or any other enactment for the time being in force. The Company shall effectively align its compensation

- Compensation must be adjusted for all types of risk.
- Compensation outcomes must be symmetric with risk outcomes.
- Compensation pay out schedules must be sensitive to the time horizon of risks.

The detail guidelines are provided in the Compensation policy

### **10.2 Remuneration to Independent Director**

Independent Director shall not be an employee of the Company and the appointment letter issued to him/her shall not constitute a contract of employment. The Company may pay the Independent Director remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board and, if required, approved by the Shareholders from time to time. The company may pay different remuneration to any independent director(s) as per the provisions of Companies Act, 2013 or other law in force for the services provided by independent director. The remuneration payable to independent director(s) can be of in such form or at such intervals as may be decided by NRC keeping in view the experience, service and guidance being provided to the company.

### **10.3 Remuneration to Non- Executive Director**

The Board may allow payment of compensation in the form of professional fees or commission to the non-executive directors as per the provisions of Companies Act, 2013 and with the approval of shareholders as may decide within the applicable provisions.

The Board of Directors of the Company, with the recommendation of NRC may decide the sitting fees payable to such category of directors and should disclose it in its Directors' Remuneration Report forming part of the Annual Report of the Company.

#### **10.4 Remuneration to Key Managerial Personnel**

The Board may allow payment of compensation in the form of remuneration to the Key Managerial Personnel/ SMP(s), on the recommendation of Nomination and Remuneration Policy as may decide within the applicable provisions.

### **11. REGULATORY RESTRICTIONS ON LOANS**

The company shall not

- (i) Grant loans and advances to directors, their relatives and to entities where directors or their relatives have major shareholding or
- (ii) Grant loans and advances to KMP(s) and SMP of the NBFC

Unless such loans are recommended by NRC and approved by the Board wherever required under the law and such loans are as per the provisions of Companies Act, 2013, Reserve Bank of India, 1931, SEBI Act, or any other law in force and guidelines/ directions issued thereunder.

### **12. REPORTING REQUIREMENT**

The Company shall disseminate the information on the "Nomination and Remuneration Policy" on its website and the Board's report.

### **13. DISCLOSURES:**

#### **13.1 Disclosures relating Appointment of directors**

The Company shall provide information to Board on recruitment and remuneration of Director's, Key Managerial Personnel, SMP and including any change thereof in subsequent Board Meetings.

The Company shall provide the shareholders with the following information in the case of appointment of a new director or re-appointment of a director:

- (i) A brief resume of the director;
- (ii) Nature of his expertise in specific functional areas;
- (iii) Disclosure of relationships between directors inter-se;
- (iv) Names of listed entities in which the person also holds the directorship and the membership of Committees of the board; and
- (v) Shareholding of non-executive directors.

## **13.2 Disclosures relating Remuneration**

### **13.2.1 Reporting to the Nomination and Remuneration Committee**

The following matters shall be reported to the Nomination and Remuneration Committee:

- Annual remuneration proposed for directors, key managerial personnel and SMP.
- Declarations on fit and proper criteria as submitted by the directors or persons to be appointed as directors as per **Annexure – II**.
- Employee benefit plans including deferred benefit plans and retirement plans

### **13.2.2 Reporting in the Annual Report**

The Company shall make qualitative and quantitative disclosures in the Annual Financial Statements as mentioned in the **Annexure-III**. In addition to these disclosures the Company shall also disclose the following information.

- All pecuniary relationship or transactions of the non-executive directors vis- à-vis the Company shall be disclosed in the annual report
- Criteria of making payments to non-executive directors
- All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension, service contracts, notice period, severance fees
- The ratio of the remuneration of each director to the median employee's remuneration.

### **13.2.3 Other Disclosure**

- Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the Company in which they are proposed to be

appointed as directors, in the notice to the general meeting called for appointment of such director.

- The SMP of the Company shall make disclosures to the Board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

#### **14 POLICY REPORTING, REVIEW AND UPDATES**

The Board approved policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any. The status of implementation of the remuneration policy shall also be reported on an annual basis to the Board.

#### **15 REGULATORY REFERENCES**

15.1 Companies Act, 2013.

15.2 Securities and Exchange Board of India (SEBI) Listing Obligations and Disclosure Requirements) Regulations, 2015 (*Listing regulations*) as *amended*, to the extent applicable

15.3 RBI/DNBR/2016-17/45 Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016

15.4 'Fit and proper' criteria for the appointment of the directors

15.5 RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24 dated October 19<sup>th</sup> 2023, Updated as on November 10<sup>th</sup>, 2023 and as on March 21<sup>st</sup> 2024

**Compensation Policy of the Company**

**”Vedika Credit Capital Limited”**

**which**

**Includes**

**Managing Director & Chief Executive Officer,**

**Whole Time Directors, CxO,**

**&**

**Senior Managerial Personnel**

## 1. INTRODUCTION

The Compensation Policy addresses remuneration/compensation of an organization on wide basis and is one of the key components of the HR strategy. The main functions of the Compensation Policy are:

- to support the organization's strategy by helping to build a competitive, high performance and innovative company with an entrepreneurial culture that attracts, retains, motivates and rewards high-performing employees;
- to promote the achievement of strategic objectives within the company's risk appetite;
- to promote/support positive outcomes across the economic and social context in which the company operates and
- to promote an ethical culture and responsible corporate citizenship.

## 2. DEFINITIONS: Definition of words and phrases shall have the same meaning as prescribed in Nomination and Remuneration (NRC) Policy.

## 3. COMPENSATION KEY PRINCIPLES

The Company's Compensation Policy is based fundamentally on the following principles:

- i. The compensation of Key Managerial Personnel (KMPs) and SMP needs to be reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices.
- ii. The Compensation Policy is aligned to the overall business strategy, objectives and values of the Company.
- iii. The Compensation Policy contains arrangements for ensuring that the remuneration of "MD & CEO", CFO, CxO, CS, "Whole Time Directors" & SMP is fair and reasonable in the context of overall Company's remuneration.
- iv. The Compensation policy, procedures and practices are consistent with, and supportive of, effective risk management.
- v. The compensation packages comprises of fixed and variable pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment. Adherence to principles of good corporate governance, as depicted in "best practice" and regulatory frameworks.
- vi. Regarding the manner of awarding variable incentive payments, distinctions are drawn between employees who operate in a risk-taking capacity and those who fulfill fiduciary roles (e.g. heads of control functions). This is to ensure that the independence of employees who act in a fiduciary capacity is not unduly compromised and conflicts of interests are minimized.
- vii. Performance evaluation criteria used to assess performance - takes into account - the level of achievement, - and also the risks taken in achieving that level of performance, i.e. performance measures are risk-adjusted where appropriate.

- viii. Incentives are based on targets that are stretching, verifiable and relevant. Multiple performance measures are used to avoid manipulation of results or poor business decisions.
- ix. In recognition that certain activities or projects undertaken by Senior Managerial Personnel including the CxO and MD & CEO which expose the Company to risks over an extended period of time, certain variable incentives are staggered, to be paid in installments over an appropriate period, thus recognizing the time horizon of risk exposure as well as reduced in line with the business achievements.
- x. Offer flexibility for the customization of remuneration and benefits, i.e. work-life balance and specific business needs.
- xi. Make a clear distinction between levels of accountability and pay package.
- xii. The principles to be taken into account for the determination of positioning within pay packages:
  - a) The performance of the group, the division and the individual employee.
  - b) The employees' / team's ability and willingness to support the culture and live the values of the company.
  - c) The employees' / teams' level of co-operation/collaboration displayed.
  - d) The employees' commitment to focus on empowerment and development.
  - e) The scope of responsibility and level of accountability, as well as the individual's contribution to targets (performance).
  - f) Appropriate industry benchmarks (external) and / or comparable internal benchmarks.

## **4. COMPENSATION POLICY AREAS**

### **4.1 Scope**

The Compensation Policy covers all the employees of the Company as a whole with specific criteria for remuneration of "MD & CEO", "Whole Time Directors", CxO & SMPs.

### **4.2 Structure**

#### **4.2.1 Overview**

. The structure, comprises of the following elements:

- a) Guaranteed remuneration package (fixed), and
- b) Variable remuneration.

The fixed remuneration is guaranteed and normally paid irrespective of the Company's performance, while the variable remuneration is not guaranteed, and is associated with individual or group at various levels keeping in view the company's performance or risk assumed at various levels.

#### **1. Guaranteed (Fixed) Remuneration/Package**

##### **a) Scope**

The base element of the remuneration that reflects the employee's role or position in the

Company and is payable for doing the relevant job, including but not limited to basic salary, statutory bonus, allowances, perquisites, profit in lieu of salary and any other fixed component paid measured on the cost to company basis.

**b) Structure**

Guaranteed remuneration is normally benchmarked against the financial services market and is aligned to the expected operational performance.

**c) Authority**

- i) The Guaranteed remuneration of the employees is fixed by the Authority and duly consented as per the below mentioned table:

S. No.	Level	Recommended By	Approved By
1.	Managing Director & CEO, Whole Time Directors (s)	NRC	Board/ Shareholders in General Meeting
1	CS and CFO	NRC	Board of Directors
2.	KMP other than at S.No.1& 2 above	Managing Director	NRC
3.	SMP	Reviewer & Head HR	Managing Director
4.	Employees other than at S.No. 1 to 3 above	Reviewer & Head HR	Managing Director

**d) Increment in Guaranteed remuneration:**

The Criteria and authority for increase in Guaranteed remuneration for different level of employees shall be determined as under:

S. No.	Level	Criteria/ basis	Recommended By	Approved By
1	MD & CEO, Whole Time Director(s),	NRC on the basis of Role and Performance	NRC	Board of Directors
2.	CFO and CS	NRC on the basis of Role and Performance	NRC	Board of Directors
3.	KMP other than at S.No.1 &2 above	NRC on the basis of Role and Performance	Managing Director	NRC
4.	SMP	MD on the basis of Role and Performance	Reviewer & Head HR	Managing Director

5.	Employees other than at S.No. 1 to 4 above	MD on the basis of Role and Performance	Reviewer & Head HR	Managing Director
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**d) Permissible Allowances and Perquisites**

The employee is paid Allowances and Perquisites as permitted by the Company keeping in view the job profile and market dynamics. The illustrative list of the allowances and perquisites which could be payable to the employee(s) are as under:

S. NO.	ALLOWANCES/PERQUISITES
i)	House Rent Allowance/Rent Free Accommodation
ii)	Special Allowance
iii)	Statutory Bonus
iv)	Leave Travel Allowance
v)	Telephone Reimbursements
vi)	Children Education & Hostel Allowance
vii)	City Compensatory Allowance
viii)	Car Reimbursements
ix)	Committed Performance Bonus
x)	Other Allowances and Perquisites as may be approved by NRC

**f) Payout Frequency**

Guaranteed remuneration is payable on monthly basis

**g) Eligibility**

All employees are eligible for guaranteed remuneration

**2. Variable Remuneration**

**a) Scope**

The reward element of the remuneration is focused to achieve the best performance of the employees for the performers and motivate them to perform further. The same is payable as a reward to individuals or group for achieving strong results in terms of pre-determined goals.

**b) Structure**

The variable Remuneration structure of the employee(s) can be on monthly basis or higher intervals depending upon the job profile and the employment contract. The same shall be based upon performance-based scorecard / individual employee rating /performance targets set in terms of threshold target/ out performance levels.

**c) Authority**

The Variable Remuneration of the employee is determined and paid on the basis of achievement of business targets and/or individual/ group performance rating in terms of laid down guidelines. The guidelines for the variable remuneration shall be approved as per the matrix below:

No.	Level	Periodicity	Criteria/ basis	commended By	Approved By
1	MD & CEO, Whole Time Director(s),	yearly	on the basis of performance	NRC	Board of Directors
2.	CFO and CS	Half yearly	on the basis of performance	NRC	Board of Directors
3.	KMP other than at S.No.1 &2 above	AsAs per job profile	on the basis of Role and Performance	Managing Director	NRC
4.	SMP	AsAs per job profile	on the basis of Role and Performance	Reviewer & Head HR	Managing Director
5.	employees other than at S.No. 1 to 4 above	AsAs per job profile	on the basis of Role and Performance	Reviewer & Head HR	Managing Director

#### 5. APPROPRIATE REMUNERATION MIX:

- a) The remuneration mix reflects the relative proportion of total guaranteed pay versus variable pay. There needs to be a balance between fixed and variable pay.
- b) The objective is to achieve a balanced mix appropriate for the job, level and performance, recognizing the need for flexible package design to acknowledge different business requirements and the market dynamics.
- c) Within this ceiling, at higher level of responsibilities, the proportion of the variable pay will be higher.
- d) The variable pay shall be considered to be substantial if the variable pay as a percentage to the fixed pay exceeds the ceiling as enumerated below
- e) The variable pay shall be in cash. ESOPs will be excluded from the component of variable pay for the calculation of the above ceiling.

S.No.	Level	Variable Salary Matrix	
		Proportion to Fixed Salary	Variables
1.	MD & CEO, Whole Time Director(s),	As per Matrix given below	Loan Portfolio, Profitability, Collection Efficiency, NPA, Fund raising etc as may be determined by NRC
2.	CFO & CS	Upto 33%	To be decided by MD from time to time
3.	KMPs & SMPs	As per Job Profile	To be decided by MD from time to time

4.	Other employees other than at S.No.1 to 3 above	As per Job Profile	To be decided by MD from time to time
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#### 6. **COMPENSATION REVIEW:**

- 1) The compensation will be reviewed on an annual basis. However, the competent authority may review the compensation on shorter intervals to facilitate role change, confirmation event, and talent scarcity or to retain talent.
- 2) The compensation will be reviewed keeping in view various internal and external factors, such as CPI, affordability, budgets, market movements/ trends, competitor remuneration, scarcity of skills, etc.

#### 7. **DEFERRAL OF VARIABLE PAY:**

- RBI guidelines for NBFC advise that a certain portion of variable pay, as decided by the Board of the company, may be deferred and this deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Also, a deferral period for such an arrangement may be decided by the Board of the company.
- In the event of death or permanent disability of the employee, whole of the deferred variable pay will immediately vest to the employee's nominee or the employee, as the case may be, except in situations where provisions of Malus / Clawback as defined below.

#### 8. **DUTIES OF THE NRC WITH REGARD TO COMPENSATION**

- a. To formulate, review and implement the Compensation Policy.
- b. To work in coordination with Risk Management Committee of the company in order to achieve the effective alignment between remuneration and risks
- c. To monitor and review on annual basis:
  - i. The overall salary payout of the Company, and to ensure that the cost/income ratio of the Company supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
  - ii. To review the salary of MD & CEO and KMP annually and ensure it is in line with the policy guidelines all the time.
- d. To appoint persons who are qualified to become Directors and who may be appointed in SMP in accordance with the criteria laid down and recommend to the Board their appointment and removal. NRC shall specify the manner for effective evaluation of performance of Board and Board committees and individual Directors which may be carried out either by the Board or by the NRC.
- e. To formulate the criteria for determining qualifications, positive attributes and independence of Director of the Company.

#### 9. **CONTROL AND ASSURANCE**

- The KMPs and SMPs engaged in control functions including financial control, risk management, compliance and internal audit have different performance measures that are independent of the business areas they oversee.
- Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

## **10. GUARANTEED BONUS**

Guaranteed bonus may not be paid to KMPs and senior management. However, in the context of new hiring joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

## **11. PROVISIONS FOR MALUS AND CLAWBACK:**

The variable part of compensation will be subject to Malus and Clawback arrangements in the event of certain circumstances. As a guiding principle, prior to any action being taken by the NRC under this provision, the NRC and the company will ensure due regard for the Principles of Natural Justice.

- Material breach of company's Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus or / and Clawback provisions.
- Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
- Willful misinterpretation / misreporting of financial performance of the company.
- Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- Non-disclosure of material conflict of interest by the employee or any misuse of official powers
- An act of willful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the company
- Malus may also be applied in the situation of significant deterioration of financial or risk performance from one financial year to the next.
  - a. The performance measures defined as part of goal setting process of the company, business threshold metric and sustainable business strategy framework would form the primary considerations for evaluating the application of Malus in this condition.
  - b. The NRC may duly take into consideration factors that were within the control of the person, and/ or beyond reasonable control, on account of conditions such as macro events, market conditions, industry performance, changes in legal/regulatory requirements, force majeure events like occurrence of natural disasters, pandemic, other socioeconomic conditions etc.
- The above events are to be considered by the NRC for application of Malus and Clawback where they result in significant loss to the company or its shareholders.
- Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

## **12. APPLICATION OF MALUS & CLAWBACK**

- The NRC will review the requirement to invoke the Malus or Clawback provisions in the event one or more of the circumstances come to light.
- The review by the NRC will aim to determine involvement, accountability, severity and wilful nature of the act of the concerned person/s.
- Bonafide errors of judgment will not be subject to Malus provisions
- The provision of a Malus arrangement would entail cancellation of deferred portion of variable pay.
- The provision of Clawback arrangement would entail return of already paid variable pay in cash and/ or others attributable to a given reference year to which circumstances triggering the provisions of Malus and Clawback are related.
- The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact.
- Malus/ clawback clause can be applied for a period of 4 years after the date of grant of Total Variable Pay
- The above events are to be considered by the NRC for application of Malus and Clawback where they result in significant loss to the company or its shareholders.

## **13. COMPENSATION GOVERNANCE:**

The aim of remuneration governance in the Company is to provide an integrated approach to corporate governance through the consistent application of fundamental principles of sound remuneration practice and policies. The Company has a centralized remuneration function that ensures the consistent application of the Compensation Policy across all operating entities. The role of the Nomination & Remuneration Committee (in addition to that defined in its terms of reference) is broadly ensure that there is a Compensation Policy put in place and to oversee the setting and administration of Compensation Policy at all levels. The Nomination & Remuneration Committee is also responsible to constantly monitor implementation of the Compensation Policy and review suitability of the Compensation Policy, thereby determining whether or not the stated objectives are being achieved

## **14. EMPLOYEE STOCK OPTION PLAN (ESOP):**

There would be a separate policy for the same and eligibility would be defined under the said policy.

## **15. COMPENSATION GUIDELINES WITH SPECIAL REFERENCE TO “MD & CEO” AND “WTD”:**

In order to ensure effective alignment of compensation with prudent risk taking read with the guidelines issued by Reserve Company of India, the overall compensation of the “MD & CEO” and “Whole Time Directors” shall be fixed keeping in view the following factors:

- a) to be adjusted for all types of risk,
- b) be outcomes are symmetric with risk outcomes, and
- c) payouts are sensitive to the time horizon of the risk.

- d) mix of cash, equity and other forms of compensation, consistent with risk alignment.

The Company shall use a wide variety of measures of credit, market liquidity and various other risks for implementation of risk adjustment. The risk adjustment methods should preferably have both quantitative and qualitative elements.

### 15.1 Compensation structure for the “MD & CEO” and “WTD”

The Compensation shall be approved from the shareholders of the Company in the general meeting as per the requirements of The Companies Act, 2013. Provided that the remuneration of MD & CEO and WTD should be within the limits provided in The Companies Act, 2013 as amended from time to time. The current fixed remuneration of the MD & CEO would remain same and it would be increased as per the increment criteria given under clause 4.2.2. (d)

### 15.2 Performance Linked Variable Incentive Matrix for MD and WTD

Matrix- A

- Payment Frequency – Yearly.
- Parameters: As per the below mentioned table
- Variables: NPAs, Collection Efficiency, Fund Raising and PAT
- Variable remuneration as per the variable matrix and weightage as under:

<b>Matrix A- Collection Efficiency</b>	<b>WEIGHTAGE-70%</b>			
	<b>Level of NPAs #</b>			
<b>NPAs/Collection Efficiency</b>	<b>ABOVE 7%</b>	<b>7% - 4%</b>	<b>3.99% TO 2%</b>	<b>BELOW 2%</b>
<b>Less than 90%</b>	NIL	NIL	NIL	NIL
<b>90% -92.99%</b>	NIL	25%	40.0%	70.0%
<b>93% to 95.99%</b>	NIL	40.0%	60.0%	80.0%
<b>Above 96%</b>	NIL	70.0%	80.0%	100%
<i>#Will include managed book also</i>				
<b>Matrix B- Liabilities and Profitability</b>	<b>WEIGHTAGE- 30%</b>			
	<b>Fund Raising Achievement of Targets (yearly)</b>			
<b>FUND RAISING/ PROFITABILITY</b>	<b>BELOW 70%</b>	<b>71% TO 60%</b>	<b>81% TO 100%</b>	<b>ABOVE 100%</b>
<b>BELOW 80%</b>	NIL	NIL	NIL	NIL
<b>81% TO 90%</b>	25%	25%	40.0%	70.0%
<b>91% TO 100%</b>	25%	40.0%	60.0%	80.0%
<b>ABOVE 100%</b>	40%	70.0%	80.0%	100%

### 16. Other Terms & Conditions

- Variable incentive to be paid as % age of Gross Salary on half yearly basis

- b) **NRC may review the components of variable incentive as and when it deem fit**
- c) Reimbursement of expenses incurred on account of the business of the Company in accordance of the Company's policy.
- d) Notwithstanding anything contained herein above Variable Pay may be given by competent authority upto 100% in case of some unforeseen circumstances and due to which achievement could not happen.

**17. Incentive Not to be paid in Certain Circumstances:**

- a. **Disciplinary Action:** An employee who is under performance improvement program (PIP) or has been issued letter of warning (LOW) may not be considered for the incentive, fully or partially. An employee who is critically underperformer will not be considered for incentive.
- b. **Employee under Notice Period:** Any employee under the notice period as on the date of payment of the incentive would not be eligible for incentives except employees conforming to the following criteria :
  - i. An employee with a service period of more than 5 years, and
  - ii. Serves a notice period of 3 months, and
  - iii. Reason for resignation is not to join some competitor;

**18. Exception:** The Nomination and Remuneration Committee of the Board is empowered to relieve all the employees fully or partly from performing their contractual obligations on the happening of adverse event(s) beyond their control, making performance against the projected inadvisable, commercially impracticable, illegal, or impossible. Company is a responsible corporate citizen and has a strong track record of trust and performance, built over the years by adopting ethical and sustainable business practices. The Company endeavors to adopt the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and other shareholders.

**19. REVIEW:** This Compensation Policy shall be reviewed by Nomination and Remuneration Committee and Board annually.

## **Fit and Proper Criteria**

### **1. BACKGROUND, PURPOSE AND APPLICABILITY:**

#### **1. BACKGROUND AND PURPOSE:**

Reserve Bank's (RBI's) Master Direction on - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended from time to time requires NBFCs to have a policy in place for ascertaining the fit and proper criteria for Directors at the time of their appointment and thereafter during their tenure as the Director of the Company.

The purpose of this policy is to provide guidelines and other formalities to be complied with by a Director before and after appointment as a Director whether Executive or Non-Executive on the Board of Directors of the Company (the Board).

#### **2. APPLICABILITY:**

- i. All the Directors, whether Executive or Non-Executive Directors including Independent Directors.
- ii. At the time of appointment / renewal of appointment (i.e. re-appointment) and thereafter during the tenure as a Director of the Company.

### **2. TERMS OF THE POLICY:**

#### **A. Fit and proper criteria for Directors:**

The Company is required to ensure that Directors on the Board of the Company at all times satisfy the following criteria:

- i. He/she is of sound mind;
- ii. He/she has not been declared as insolvent or has applied to be adjudicated as an insolvent and/or such application is pending;
- iii. He/she has not been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and in case of such conviction, a period of five years has elapsed from the date of expiry of the sentence;
- iv. He/she has not been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more;
- v. No order disqualifying his/her appointment as a Director has been passed by a court or tribunal and the order is in force;
- vi. He/she has not defaulted in payment of any calls in respect of any shares of the company held by him/her, whether alone or jointly with others, and six months have elapsed from the last day, fixed for the payment of the call;

- vii. He/she has not been convicted of offence dealing with related party transactions under Section 188 of the Companies Act, 2013 (the Act) at any time during the last preceding five years;
  - viii. He/she has complied with the provisions of Section 152(3) of the Act;
  - ix. He/she has complied with the provisions of Section 165 (1) of the Act;
  - x. He/she is not a director on the Board of any company which has not filed financial statements or annual returns for any continuous period of three financial years or has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more and period of five years has not elapsed since date of said default.
- xi. In case of an Independent Director, he/she shall not be on the Board of more than 3 NBFCs (NBFC- ML/ NBFC-UL) at the same time. Further there should not be any conflict of interest arising out of Independent Directors being on the board of another NBFC at the same time.

**B. Procedure - prior to appointment of a Director:**

- i. Before appointing any individual as a Director, the Company is required to undertake due diligence to determine the suitability of the proposed candidate based upon his/her qualification, expertise, track record and integrity. For the purpose the Company is required to obtain necessary information and declaration from the proposed/existing director for the purpose in the format as given in Annex XII (1) as per, Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and as updated from time to time.
- ii. The profile of the individual proposed to be appointed as Director as referred above, is required to be placed before the Nomination & Remuneration Committee (NRC) of the Company.
- iii. The NRC of the Company is required to scrutinize the aforesaid information and declaration and recommend the appointment to the Board on the basis of fit and proper criteria as referred above in addition to such other parameters as the NRC may deem necessary.
- iv. Based on the recommendation of the NRC, the Board to take a final decision on appointment, in terms of the provisions of the Act including any amendments thereof.

**3. Age limit for Independent/Non-Executive Directors:**

The age criteria for Independent/Non-Executive Directors shall be governed by the provisions, if any, as stated in the Act and Securities Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015.

**4. Procedure - post appointment of a Director:**

- i. The Board of the Company shall ensure that the nominated/ elected Director execute the deed of covenant in the format as provided in Annex XV of Master Direction DNBR.PD.008/03.10.119/2016-17 dated 1<sup>st</sup> September, 2016 and last updated as on 29<sup>th</sup> August, 2023 - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and as updated from time to time.

- ii. Obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in Annex XIV of Master Direction - Non-Banking Financial Company - Systemically Important Non- Deposit Taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and as updated from time to time.
- iii. Furnish a quarterly statement on change of directors, and a certificate from the Managing Director/Manager of the Company as may be applicable that fit and proper criteria in selection of the directors has been followed to the Regional Office of the Department of Non-Banking Supervision of the Reserve Bank of India, within 15 days of the close of the respective quarter. The statement submitted by the Company for the quarter ending March 31, shall be certified by the auditors.
- iv. Annually on March 31, the Company is required to obtain a simple declaration from all the Directors confirming that the information already provided has not undergone any change and in case of any change, the Director concerned is required to submit revised declaration.
- v. The Board is required to ensure that proper due diligence process is conducted at the time of renewal of appointment/ re-appointment of director by obtaining Annex XII and Annex XIV of Master Direction - Non-Banking Financial Company - Systemically Important Non- Deposit Taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and updated from time to time. In this regard, at the time of renewal of appointment/ re-appointment of the Director, the Company to ensure that Directors satisfy the fit and proper criteria as mentioned in Section A above.
- vi. The Directors are required to ensure compliance with Code of Conduct framed by the Company (as modified from time to time) for Executive and Non-Executive Directors including Independent Directors at all times.

## **5. Provisions of the Act:**

Requirements of the Policy are in addition to the requirements of the Act pertaining to appointment and re-appointment of Directors read with Companies (Appointment and qualification of Directors) Rules, 2014 and any other regulatory requirements.

## **6. REVIEW / REVISION OF POLICY:**

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (Regulatory Provisions) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.

The policy shall be reviewed alongwith the review of NRC Policy.

## Disclosure in the Annual Report

<b>Remuneration</b>		
<b>Qualitative Disclosures</b>	(a)	Information relating to the composition and mandate of the Nomination and Remuneration Committee
	(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of nomination and remuneration policy.
	(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.
	(d)	Description of the ways in which the company seeks to link performance during a performance measurement period with levels of remuneration.
	(e)	A discussion of the company's policy on vesting of variable remuneration and a discussion of the company's policy and criteria for adjusting deferred remuneration before vesting and after vesting.
	(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the company utilizes and the rationale for using these different forms.
<b>Quantitative Disclosures</b>	(g)	Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members
	(h)	<ul style="list-style-type: none"> <li>• Number of employees having received a variable remuneration award during the financial year</li> <li>• Number and total amount of sign-on awards made during the financial year.</li> <li>• Details of guaranteed bonus, if any, paid as joining / sign on bonus</li> <li>• Details of severance pay, in addition to accrued benefits, if any</li> </ul>
	(i)	<ul style="list-style-type: none"> <li>• Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</li> <li>• Total amount of deferred remuneration paid out in the financial year.</li> </ul>
	(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and nondeferred.
	(k)	<ul style="list-style-type: none"> <li>• Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.</li> <li>• Total amount of reductions during the financial year due to ex- post explicit adjustments.</li> <li>• Total amount of reductions during the financial year due to ex- post implicit adjustments.</li> </ul>