
VFS CAPITAL LIMITED
(formerly Village Financial Services Limited)

NOMINATION & REMUNERATION POLICY

Board Meeting Date	Subject	Department	Approved by
29-03-2024	Nomination & Remuneration Policy	Compliance – as Custodian Compliance, HR and Accounts – for implementation	Board

NOMINATION AND REMUNERATION POLICY

1. INTRODUCTION

VFS Capital Limited (hereinafter referred as “the Company”) considers human resources as its invaluable assets. This policy on nomination and remuneration of Directors, Key Managerial Personnel (hereinafter referred as “the KMP”) and other employees has been formulated in terms of the provisions of the Companies Act, 2013 in order to pay equitable remuneration to the Directors, KMPs and employees of the Company and to harmonize the aspirations of human resources consistent with the goals of the Company. The Company recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and other shareholders. The Company’s activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. This policy seeks to document the practices and procedures to be followed by the Company for the appointment of Directors, KMP and other employees and their remuneration.

The objective of the policy is to regulate the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), senior management and other employees as per the criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of the Companies Act, 2013 read with applicable Rules and Regulations under the Act.

The policy shall ensure that the Company has a Board with diverse background and experience in areas that are relevant for the Company. It also seeks to lay down principles for fixing the remuneration/compensation to attract and retain the best suitable talent on the Board of the Company.

The Policy is further encapsulated the changes brought down by the RBI Circular RBI/2022-2023/36 DOR.GOV.REC.No.29/18.10.002/2022-23 dated April 29, 2022, a revised Scale Based Regulatory (SBR) framework vide circular RBI/2021-22/112 DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 and Master

Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (collectively referred as “RBI Circulars”)

2. OBJECTIVE

The objective and purpose of this policy are:

- 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 directors.
- Formulate criteria for determining qualifications, positive attributes and independence of directors.
- Retain, motivate and promote talent and to ensure long term sustainability of talented KMP.
- To guide and recommend to the Board in relation to the appointment and removal of Directors and Key Managerial Personnel.
- 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.
- To recommend to the Board remuneration payable to the Directors and Key Managerial Personnel.
- To appoint/remove and decide remuneration payable to Senior Management Person (SMP) in accordance with criteria laid down for their appointment and remuneration either directly or through delegated authority.
- To recommend reward(s) payable to the KMP and Senior Management linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- To attract, retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To do all such other acts / deeds as may be prescribed by the Board.

3. APPLICABILITY

All new appointments made in the Board of Directors and KMP 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:

- Directors
- Key Managerial Personnel
- Senior Management
- Other Employees as may be specified.

4. DEFINITIONS

- (a) **“Act”** means Companies Act, 2013 and rules framed there under as amended from time to time.
- (b) **“Board of Directors”** or **Board**, in relation to the company, means the collective body of the Directors of the Company.
- (c) **“Committee”** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- (d) **“Company”** means “VFS Capital Limited”.
- (e) **“Independent Director”** means a Director defined under Section 2 (47) read with Section 149 of the Companies Act, 2013.
- (f) **“Key Managerial Personnel”** or **“KMP”** means a person referred to in section 2(51) of the Companies Act, 2013.
- (g) **Senior Management means personnel** of the Company who are members of its core management team excluding the Board of Directors and shall also include all members of management one level below the executive directors including all functional heads.
- (h) **“The Policy”** or **“This Policy”** shall mean the Nomination and Remuneration Policy.

Words and expressions used but not defined in this Policy shall have the same meaning as ascribed to them in the Act / Regulations, and the rules made

thereunder, as the case may be or in any subsequent amendment thereto. This Policy shall be subject to such statutory clarifications, informal guidance and FAQs as may be issued by Regulatory Authority from time to time.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

5. ROLE OF NOMINATION & REMUNERATION COMMITTEE

The role of the Committee inter-alia will be the following:

- a) To formulate a criterion for determining qualifications, positive attributes and independence of a Director, KMP and SMP.
- b) To identify people who are qualified to become Directors and KMP in accordance with the criteria laid down and recommend to the Board their appointment and removal.
- c) To recommend to the Board, policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management
- d) To undertake process of due diligence under 'Fit and Proper Policy' of the Company, at the time of appointment / renewal of appointment of directors and decide on the acceptance or otherwise of the directors.
- e) To carry out any other function as is mandated by the Board from time to time and/or enforced by the statutory notification, amendment or modification, as may be applicable.

6. SPECIFIC ROLE FOR INDEPENDENT DIRECTORS

- a) Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- b) Formulate the criteria and specify the manner for effective evaluation of performance of independent directors and the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

- c) For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
- use the services of an external agencies, if required;
 - consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - consider the time commitments of the candidates.
- d) The appointment of independent directors of the company shall be approved at the meeting of the shareholders. The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management. The appointment of independent directors shall be formalized through a letter of appointment, as per the Act. Further, recommend to the Board whether to extend or continue the term of appointment of the independent director, on the basis of the report of the performance evaluation of independent directors.
- e) The incumbent Directors shall be persons of eminence, integrity, standing and knowledge with significant achievements and experience in business, professions and / or public service, deep expertise and insights in sectors/areas relevant to the Company, ability to contribute to the Company's growth, complementary skills in relation to the other Board members. Broadly, the following points need to be considered by the Committee:-
- Their financial or business literacy, skills, etc.
 - Their industry experience.
 - Other appropriate qualification / experience to meet the objectives of the Company.

As per the applicable provisions of Companies Act 2013, Rules made there under, as amended from time to time, the Nomination and Remuneration

Committee shall have discretion to evaluate, consider and fix any other criteria or norms, from time to time, for selection of the most suitable candidate/s.

7. CONSTITUTION AND MEMBERSHIP OF THE COMMITTEE

The Nomination and Remuneration Committee of the Company has been constituted in accordance with the provisions of Section 178 of the Act. The Members of the Committee shall be appointed by the Board of Directors. The Committee shall be comprised of at least three Non-executive Directors with at least 2/3rd forming Independent Directors. The Quorum for the Nomination and Remuneration Committee Meeting shall be either two members or one-third of the members of the Committee, whichever is greater, including at least one Independent Director in attendance. Membership of the Committee shall be disclosed in the Annual Report. The term of the Committee shall be continued unless otherwise terminated by the Board of Directors. The Company Secretary of the Company shall act as Secretary of the Committee.

8. CHAIRPERSON

The Chairperson of the Committee shall be an Independent Director and the Chairperson of the Company / Board (executive or non-executive) may be a member of the Committee but will not be chairperson of the Committee. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson. The Chairperson of the Committee shall attend the general meetings of the Company or in his/her absence, any other member of the Committee authorized by him/her on this behalf.

9. MEETING REQUIREMENT OF THE NOMINATION AND REMUNERATION COMMITTEE:

The meeting of the Committee shall be held at such regular intervals as may be required but at least once a year. Minimum two members or one third members, whichever is greater, out of which at least one Independent Director shall constitute

a quorum for the Committee meeting. A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated. The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

10.COMMITTEE MEMBERS' INTERESTS

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, officials or such other persons as it considers appropriate to be present at the meetings of the Committee.

11.VOTING

Matters arising for determination at the Committee Meetings shall be decided by a majority of votes of the Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee. In the case of equality of votes, the Chairperson of the meeting shall have a casting vote.

12.POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

- a) A person in order to be appointed as a Director, KMP/SMP should possess adequate qualification, expertise and experience. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, and KMP and recommend the person for such appointment to the Board. Personnel at Senior Management level, for their appointment, shall either be recommended by the Director or KMP of the Company.
- b) A person shall not be appointed or continue the directorship as a non-executive director who has attained the age of seventy years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the

notice for such motion shall indicate the justification for appointing such a person.

- c) Every whole-time key managerial personnel appointed in terms of Section 203 of the Act shall be appointed by means of a resolution of the Board.
- d) Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. They can assume directorship in NBFC-BL.
- e) A person may be appointed or employed as a managing director of the Company, if he is the managing director or manager of one, and of not more than one, other company and such appointment or employment is made or approved by a resolution passed at a meeting of the Board with the consent of all the directors present at the meeting and of which meeting, and of the resolution to be moved thereat, specific notice has been given to all the directors.
- f) A whole time KMP of the Company shall not hold office in more than one company except in its subsidiary company at the same time. However, a whole time KMP can be appointed as a Director in any other Company.

13. TERM / TENURE

MANAGING DIRECTOR/WHOLE-TIME DIRECTOR:

The Company shall appoint or re-appoint any person as its Chairman, Managing Director, CEO or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

INDEPENDENT DIRECTOR:

- a) A person shall be considered for appointment as an Independent Director on the Board of the Company, only if the person meets the criteria of independence stipulated in terms of Section 149 of the Act and declares the

same in writing. The appointment shall be made in terms of Section 149 read with Schedule IV to the Act as applicable.

- b) An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report on the basis of report of performance evaluation.
- c) No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- d) 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 NBFCUL) at the same time. Further, the Board of the NBFC 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 to directorship on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013.
- e) At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company. The maximum tenure of Independent Directors shall also be in accordance with the Companies Act, 2013 and clarifications/ circulars issued by the Ministry of Corporate Affairs, in this regard, from time to time.
- f) The company and independent directors both shall abide by the provisions specified in Schedule IV to the Act.

14. PERFORMANCE EVALUATION

The Committee shall advise to carry out evaluation of performance of every Director, KMP and SMP and other employees at regular interval (yearly). The evaluation process shall be conducted for the Board as a whole, Board Committees and also for the Directors individually.

Performance evaluation of the KMP, SMP and other employees shall be carried out by their respective reporting Executives and Functional Heads, based on the Key Results Area (KRA) set at the beginning of the financial year and reviewed at least once during the year to modify such KRAs if required.

Performance evaluation of the Independent Directors shall be carried out by the entire Board excluding the concerned Independent Directors being evaluated, which shall include:

- (a) performance of the directors; and
- (b) fulfillment of the independence criteria as specified in these regulations and their independence from the management.

15. FIT AND PROPER CRITERIA:

The Committee shall also ensure '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, and KMP/SMP.

The Company shall ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The policy on the fit and proper criteria shall be on the lines of the RBI Guidelines contained in the RBI Master Directions.

The Company shall 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 the RBI Master Directions.

A Deed of Covenant signed by the directors, in the format as given in the RBI Master Directions shall also be obtained from the Directors.

A quarterly statement on the change of directors, if there is any, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed, in case any new director is appointed, shall be furnished to the RBI. The statement shall reach the Regional Office of the Department of Supervision of the Bank where the company is registered, 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.

The Company will collect as much as documentary evidence in respect of KYC, qualification, CIBIL and other CIC scores, search in RBI defaulter lists, list of companies where the Director or any of his/her relative is interested, the financial conduct of the associated companies, bank account statements, past appointments in various organizations and institutions on different designations, records of performance etc. These are indicative and not exhaustive. Based on declaration and nature of applicable criterion the need of evidence will be ensured.

16.RESIGNATION AND REMOVAL

Due to reasons for any disqualification mentioned in the Act or under any other applicable law for the time in force, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel and the Board may subject to the provisions and compliance of the said Act, rules and regulations take necessary action for such removal. Upon resignation of a Director from the Board of the Company, the Board shall take note of the notice of resignation. The same shall be noted by the Committee in its subsequent meeting.

An independent director who resigns or is removed from the Board of the Company shall be replaced by a new independent director within a period of three months from the date of such resignation or removal, as the case may be.

However, 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.

17. RETIREMENT

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing HR policy and manual of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to compliance of all applicable legislations.

18. COMPENSATION STRUCTURE

While determining the remuneration of the Directors, the Committee shall ensure that the level and composition of remuneration are reasonable and sufficient to attract, retain and motivate such directors of the quality required to run the Company successfully; the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and the remuneration to directors, key managerial personnel and senior management 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.

COMPENSATION TO EXECUTIVE DIRECTORS

The remuneration / compensation / commission etc. to the Executive Directors will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company, wherever required.

The remuneration and commission to be paid to the Executive Directors shall be in accordance with the Act and other Regulations.

Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of a Executive Directors.

The remuneration / profit linked commission, if any, shall be in accordance with the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force.

COMPENSATION TO INDEPENDENT DIRECTOR:

The Independent Director may receive remuneration by way of fees for attending meetings of the Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time. An Independent Director shall not be entitled to any stock option, if any, of the Company. The board of directors shall recommend all fees or compensation, if any, paid to non-executive directors, including independent directors and shall require approval of shareholders in general meeting except for payment of sitting fees to non-executive directors, if made within the limits prescribed under the Act. Further, the sitting fee for Independent Directors and Women Directors shall not be less than the sitting fee payable to other directors. An Independent Director may, apart from sitting fees, receive reimbursement of expenses for participation in the Board and other meetings.

COMPENSATION TO KMP/SMP:

The compensation for KMP / SMP shall comprise of monthly salary with superannuation benefits, performance bonus and other perquisites. The salary paid may have a fixed component and a variable component, the latter varying

commensurate with yearly performance of the relevant year. The fixed component of compensation shall be paid by way of monthly salary with superannuation benefits, if any irrespective of assessed performance standards of the KMP or SMP, but subject to leave rules and disciplinary action as applicable.

Further, the compensation structure will be as follows:

- a) The performance bonus and stock incentives are treated as part of variable compensation but are over and above the variable component of salary.
- b) The yearly escalation (increment), decided on the performance matrix may be divided into fixed and variable components of salary in the proportion the initial salary is bifurcated.
- c) However, the variable compensation shall be limited to a maximum, so that the total compensation offered at appointment is determinable. The variable pay shall be so parameterized against performance that it may be reduced to zero based on performance at an individual, business-unit and company-wide level. The performance measurement, variable compensation measurement and their alignment should be clearly and equitably defined before the start of the performance measurement period.
- d) The NRC has the right to fix the composition of fixed and variable pay ratio of the KMP and the above ceiling will not be applicable to KMP.
- e) All reimbursements of actual expenses incurred by the KMP / SMP during the course of performing the assigned job and responsibilities, limited to entitlement or as approved by higher authority, shall not be a part of remuneration. KMP / SMP must claim the expenses through bills, which are to be duly sanctioned as per the HR Policy / Manual.
- f) The different components of variable compensation are mapped to individual, departmental or corporate performance which is assessed and approved based on calibrated modules of Key Performance Indicators (KPI). The KPI modules are constructed considering the risk and responsibilities of the job profile.
- g) Guaranteed bonus shall not be considered for KMP / SMP. However, in the context of new hiring joining / sign-on bonus may be considered. Such bonus shall neither be a part of fixed pay nor variable pay.

h) The performance of other departmental heads and members of core management shall be assessed by the Managing Director & CEO through the KPI module only.

COMPENSATION TO OTHER EMPLOYEES

The remuneration of other employees is fixed from time to time as per HR Policy / Manual of the Company and considering industry standards and cost of living. In addition to basic salary, they are also provided perquisites and retirement benefits as per schemes of the Company and statutory requirements, where applicable.

19. SENIOR MANAGEMENT PERSON(SMP)

Senior Management Personnel to be appointed or promoted and removed/relieved and be paid remuneration with the authority of Managing Director & CEO of the Company based on the business need and the suitability of the candidate in accordance with the criteria laid down for identification of persons who may be appointed in the Senior Management which includes the qualification, skills and experience of the candidate for the responsibility the position shall carry and Policy relating their remuneration. The details of the appointment made and the personnel removed shall be presented to the Committee for its ratification followed by noting by the Board Members.

20. MINUTES OF COMMITTEE MEETING

The proceedings of all meetings must be written in the form of Minutes and these Minutes must be signed by the Chairperson of the Committee at the subsequent Meeting or within one month from the date of the Meeting, whichever is earlier.

Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meetings.

21. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

- a) To ensure that there is an appropriate induction and training programme in place for new Directors and Members of the Senior Management and reviewing its effectiveness;
- b) To ensure that on appointment to the Board, Non-Executive Directors and Independent Directors receive a formal letter of appointment in accordance with the guidelines provided under the Companies Act, 2013;
- c) To identify and recommend Directors who are to be put forward for retirement by rotation.
- d) To determine the appropriate size, diversity and composition of the Board;
- e) To set a formal and transparent procedure for selecting new Directors for appointment to the Board;
- f) To delegate any of its powers to one or more of its members or the Secretary of the Committee;
- g) To recommend any necessary changes to the Board.
- h) To ensure the personnel possess the necessary qualifications, experience, skills and expertise to effectively discharge their duties and responsibilities.
- i) To practice and encourage professionalism and transparent working environment.
- j) To build teams and carry the team members along for achieving the goals/objectives and corporate mission.
- k) To ensure strict adherence to the Company's Code of Conduct for the time being in force and as amended from time to time.
- l) Any other responsibility that may be given in the course of their association with the Company.

22.REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

- a) To recommend to the Board, Remuneration Policy ensuring:
 - that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate members of the Board of the quality required to run the Company successfully;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

- remuneration to directors, KMP 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.
- b) To recommend the remuneration of the Directors and KMP in accordance with the laid down criteria.
- c) To delegate any of its powers to one or more of its members or the Secretary of the Committee.
- d) To consider any other matters as may be requested by the Board.
- e) To ensure that the level and components of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and other employees of the quality required to run the Company successfully.
- f) To ensure that no director / KMP/ other employee is involved in deciding his or her own remuneration.
- g) The trend prevalent in similar industries, nature and size of business is kept in view and given due weight age to arrive at a competitive quantum of remuneration.
- h) To ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks which are unambiguously laid down and communicated.
- i) Improved performance should be rewarded by an increase in remuneration and suitable authority for value addition in future.
- j) Remuneration packages should strike a balance between fixed, and incentive pay, where applicable, reflecting short- and long-term performance objectives appropriate to the Company's working and goals.
- k) The Remuneration / Compensation / Profit linked Incentive etc. to Managerial Personnel and KMP be determined by the Committee and recommended to the Board for approval. The Remuneration / Compensation / Profit Linked Incentive etc. to be paid for Managerial Personnel shall be subject to the prior/post approval of the shareholders of the Company, wherever required.
- l) The remuneration and commission to be paid to Managerial Personnel shall be as per the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force.
- m) Managerial Personnel and KMP shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee in

accordance with the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders, wherever required.

- n) If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managerial Personnel in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the prior approval of the Central Government.
- o) If any Managerial Personnel draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company.
- p) Increments if declared to the existing remuneration / compensation structure shall be recommended by the Committee to the Board which should be within the limits approved by the Shareholders in the case of Managerial Personnel.
- q) Increments if declared will be effective from 1st April of each financial year in respect of Managerial Personnel, KMP, Senior Management subject to other necessary approvals from statutory authorities as may be required.
- r) Where any insurance is taken by the Company on behalf of its Managerial Personnel, KMP and Senior Management for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

23.MALUS AND CLAW BACK PROVISIONS

The company shall be entitled to hold back the deferred variable pay/incentives or stocks issued beyond the deferral / retention period as referred in clause c(x) for following reasons or events during the deferral or stock retention period:

- a) If the employee engaged in any detrimental conduct as per Company's Code of Conduct including mis-selling practices, manipulation of performance benchmark, breach of fiduciary duty, illegal activity that cause financial/reputational harm to the company. If there is negative growth of the company with loss occurrence.
- b) The concerned KMP /SMP has resigned or terminated from service.
- c) The concerned KMP/SMP is under contemplation or pending disciplinary action.
- d) The concerned KMP/SMP has committed or omitted acts resulting in heavy financial loss to the Company or resulting in risk increase in future.
- e) In the course of employment, some dues (other than loans and advances sanctioned) on the part of concerned KMP / SMP crystalized may be due to excess unauthorized payments, default of commitments etc.
- f) If the deferral amount is based on material, misrepresentation by the employee.
- g) If there is reasonable evidence of employees' breach of integrity inviting disciplinary actions.
- h) The above holdback shall not apply in case of downturn of performance due to grave external factors such as pandemic, or any industry wise crisis, economic downturn of the country, economic factors severely affecting the client base etc

WAIVER OF MALUS: When the 'hold back' of incentives is due to reasons of performance not due to any misconduct or causing loss to the Company, the Board in respect of Managing Director, Executive Director, CEO, CFO and COO and the Managing Director in respect of other departmental heads may, on the recommendations of NRC with record of sufficient reasons, allow the release of the held back amount after the deferral period, provided the approval for Managing Director and Executive Director is ratified in Board Meeting.

RELEASE OF HELD BACK INCENTIVE: The held back incentive may be released in the following cases, subject to approval of Board or MD as the case may be:

- a) The held back incentives due to disciplinary action shall be released on final outcome.
- b) If the hold back is due to omission or commission of the KMP / SMP, causing any loss to the Company, then the release of held back amount shall be after due compensation of loss to the Company through insurance claim and/or by SMP

or when statutory auditors confirm no financial loss to the Company due to the said omission or commission.

- c) In case of increased risk due to acts of KMP/SMP, the release of held back amount shall be after full mitigation of risk.
- d) Amounts held back for other reasons shall be subjected to treatments as above.

CLAW BACK OPTION: Suitable Claw back arrangements in respect of cash incentive shall be made as above through employment agreements.

24. NOTIFICATION

This Policy, including amendments thereof, shall be made available on the Company's website and the salient features of the Policy and changes therein, if any, along with the web address of the Policy shall be disclosed in the Boards' Report of the Company.

25. POLICY REVIEW

This Policy is framed based on the provisions of the Companies Act, 2013 and rules there under along with Master Directions of RBI.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act, then the provisions of the act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to changes in applicable law or as may be felt appropriate by the Committee. Any changes or modification in the policy as recommended by the Committee would be placed before the Board of Directors for their approval.

26. DISCLOSURE REQUIREMENT

The Policy shall be placed on the website of the company, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report. Membership of the Committee shall be disclosed in the Annual Report and shall also be published on the website of the Company. The terms and conditions of appointment of independent directors shall be posted on the company's website.
