

Nomination & Remuneration Policy

1. Introduction

The Company considers human resources as its invaluable assets. This policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP) and other employees has been formulated in terms of the provisions of the Companies Act, 2013, to pay equitable remuneration to the Directors, KMP and employees of the Company and to harmonize the aspirations of human resources consistent with the goals of the Company.

2. Objective

The objectives and purpose of this policy are:

- To guide and recommend to the Board in relation to the appointment and removal of Directors and Key Managerial Personnel.
- To recommend to the Board the 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. Definitions

1. **“Act”** means Companies Act, 2013, and rules framed thereunder as amended from time to time.
2. **“Board of Directors”** or **Board**, in relation to the company, means the collective body of the Directors of the Company.
3. **“Committee”** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
4. **“Company”** means “VFS Capital Limited”.
5. **“Independent Director”** means a Director referred to in Section 149 (6) of the Companies Act, 2013.
6. **“Key Managerial Personnel”** or **“KMP”** means a person referred to in section 2(51) of the Companies Act, 2013.
7. **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.
8. 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.

4. Role of the Committee

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

- a) To formulate criteria for determining qualifications, positive attributes and independence of a Director, KMP and SMP.
- b) To identify persons 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 a policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.

- d) To undertake the 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.

5. **Membership**

The Committee shall consist of a minimum three (03) non-executive directors, majority of them shall be **Independent**.

A minimum of two (02) members shall constitute a quorum for the Committee meeting.

Membership of the Committee shall be disclosed in the Annual Report.

Term of the Committee shall be continued unless otherwise terminated by the Board of Directors.

6. **Chairperson**

The Chairperson of the Committee shall be an **Independent Director**.

The Chairperson of the Company may be appointed as a member of the Committee but shall not be the 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 in this behalf.

7. **Frequency of Meetings**

The Meetings of the Committee shall be held at such regular intervals as may be required & decided upon mutual discussion among the members.

8. **Committee Members' Interests**

A member of the Committee is not entitled to be present when his or her 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.

9. **Secretary**

The Company Secretary of the Company shall act as the **Secretary** of the Committee.

10. **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 an equality of votes, the Chairperson of the meeting shall have a casting vote.

11. **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 consider any other matters as may be requested by the Board.

12. Remuneration duties

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

- 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.
- to recommend the remuneration of the Directors and KMP in accordance with the laid down criteria.
- to delegate any of its powers to one or more of its Members or the Secretary of the Committee.
- to consider any other matters as may be requested by the Board.

13. Senior Management Personnel(SMP)

Senior Management Personnel to be appointed or promoted and removed/relieved and be paid remuneration with the authority of Managing Director 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.

14. Minutes of a 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.

15. 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.

16. Policy Review

This Policy is framed based on the provisions of the Companies Act, 2013, and rules thereunder.

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 the 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 change 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 given for approval of the Board of Directors.

This Policy has been approved by the Board of Directors in its meeting held on May 18, 2018.

A. Policy for appointment and removal of Director, Key Managerial Personnel and Senior Management:-

(Appointment criteria and qualifications)

I. Qualifications for appointment of Directors (including Independent Directors):

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.

According to the applicable provisions of the Companies Act, 2013, and the Rules made thereunder, as amended from time to time, the Nomination and Remuneration Committee shall have the discretion to evaluate, consider and fix any other criteria or norms, from time to time, for selection of the most suitable candidate/s.

Appointment of Independent Directors is also subject to compliance of provisions of section 149 of the Companies Act, 2013, read with Schedule IV and rules thereunder.

The appointment/ continuity to hold the appointment of Directors is also subject to compliance of 'Fit and Proper Policy' of the Company.

II. Qualifications for appointment of KMP & Senior Management:

- To possess the necessary qualifications, experience, skills and expertise to effectively discharge their duties and responsibilities.
- To practice and encourage professionalism and transparent working environment.
- To build teams and carry the team members along for achieving the goals/objectives and corporate mission.
- To adhere strictly to the Company's Code of Conduct for the time being in force and as amended from time to time.
- Any other responsibility that may be given in the course of their association with the Company.

III. Term/Tenure of Directors (including Independent Directors) and KMP:

1. Managing Director/Whole Time Director:

- The Company shall appoint or re-appoint any person as its Managerial Personnel 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.

2. Independent Director

- 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 reappointment on the passing of a special resolution by the Company and the Disclosure of such appointment in the Board's report.

- 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.
- 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.

3. KMP

- 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 company with the permission of the Board of Directors of the Company.

IV. Removal of Directors (including Independent Directors) and KMP:

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the committee may recommend, to the Board with reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of the said Act, rules and regulations.

V. Retirement of Directors (including Independent Directors) KMP and Senior Management:

Any Director other than the Independent Director, KMP and Senior Management shall retire in line with the applicable provisions of the Companies Act, 2013, and the prevailing policy of the Company. The Company will have the discretion to retain the Director, KMP, Senior Management in the same position/remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to due compliance of Companies Act, 2013, and any other applicable law.

VI. Positive attributes of Directors (including Independent Directors):

- **The following are some of the positive attributes of Directors (including Independent Directors) to be considered by the Committee:**
 - Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
 - Actively update their knowledge and skills with the latest developments in the industry, market conditions and applicable legal provisions.
 - Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities.
 - To assist in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
 - Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
 - To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.
 - Independent Directors to meet the requirements of the Companies Act, 2013 read with the Rules made thereunder, as amended from time to time.

B. Policy Relating to Remuneration of Directors, Key Managerial Personnel and Senior Management:

- To ensure that the level and components of remuneration are reasonable and sufficient to attract, retain and motivate Directors, KMP and other employees of the quality required to run the Company successfully.
- To ensure that no director / KMP/ other employee is involved in deciding his or her remuneration.
- The trend prevalent in the similar industry, nature and size of the business is kept in view and given due weightage to arrive at a competitive quantum of remuneration.
- To ensure that relationship of remuneration to the performance is clear and meets appropriate performance benchmarks which are unambiguously laid down and communicated.
- Improved performance should be rewarded by an increase in remuneration and suitable authority for value addition in future.
- 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.
- The Remuneration/Compensation/Profit-linked Incentive etc. for 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.
- The remuneration and commission to be paid to Managerial Personnel shall be in line with the statutory provisions of the Companies Act, 2013, and the rules made thereunder for the time being in force.
- Managerial Personnel and KMP shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee following the statutory provisions of the Companies Act, 2013, and the rules made thereunder for the time being in force. The break-up of the pay-scale and amount of perquisites including, employer's contribution to PF, 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.
- 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.
- If any Managerial Personnel draws or receives, directly or indirectly by way of remuneration any such sums over 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.
- Increments, if declared to the existing remuneration/compensation structure, shall be recommended by the Committee to the Board and should be within the limits approved by the Shareholders in the case of Managerial Personnel.
- 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.
- 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.

Remuneration to Non-executive / Independent Directors:

- Remuneration/Profit-Linked Commission:
 - The remuneration/profit-linked commission shall be in accordance with the statutory provisions of the Companies Act, 2013, and the rules made thereunder for the time being in force.
- Sitting Fees:
 - The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees

shall not exceed the maximum as provided in the Companies Act, 2013, for each meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

This policy was last reviewed by the Board in its meeting held on May 10, 2019.