

## NOMINATION AND REMUNERATION POLICY

### VERSION CONTROL:

Version	Date of Adoption	Change Reference	Owner	Custodian	Approving Authority
1.0	21-Apr-2015	Nomination and Remuneration policy drafted and approved by the Board	Compliance Team	Compliance Team	Board of Directors
1.1	03-Feb-2023	Nomination and Remuneration policy reviewed and updated as per Scale Based Regulation (SBR) – A Revised Regulatory Framework for NBFCs’ and guidelines on Compensation of Key Managerial Personnel (KMPs) and Senior Management (SM) in NBFCs by RBI	Compliance Team	Compliance Team	Board of Directors

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**Important Note:**

*If at any time a conflict of interpretation / information between this Policy and any Regulations, Rules, Guidelines, Notifications, Clarifications, Circulars, Master Circulars/ Directions issued by the Reserve Bank of India, from time to time, arise then the interpretation of such Regulations, Rules, Guidelines, Notifications, Clarifications, Circulars, Master Circulars/ Directions issued by Reserve Bank of India, from time to time, shall prevail.*

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## **1. BACKGROUND**

The Nomination and Remuneration Policy of Ashv Finance Limited (“the Company”) has been prepared in accordance with the requirements of the Companies Act, 2013, (“Act”) read along with the rules thereto, if any applicable.

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013, applicable guidelines of Reserve Bank of India, including on Corporate Governance Norms for NBFCs, ‘Scale Based Regulation (SBR) – A Revised Regulatory Framework for NBFCs’ and guidelines on Compensation of Key Managerial Personnel (KMPs) and Senior Management (SM) in NBFCs, as amended from time to time.

## **2. OBJECTIVE AND PURPOSE**

The Key Objectives of the Committee would be:

- a) To oversee the framing, review, and implementation of this Policy.
- b) To ensure fit and proper status of proposed/ existing Directors as per the RBI guidelines.
- c) To guide the Board by laying down criteria and terms and conditions in relation to appointment and removal of Directors, KMP and Senior Management.
- d) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, KMP and other employees.
- e) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- f) To recommend to the Board on Remuneration payable to the Directors, KMP and Senior Management.
- g) To provide to KMP and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- h) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- i) To develop a succession plan for the Board and to regularly review the plan.
- j) To assist the Board in fulfilling responsibilities.
- k) To implement and monitor policies and processes regarding principles of corporate governance.

### **3. DEFINITIONS**

“**Act**” means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

“**Board**” means Board of Directors of the Company.

“**Directors**” mean Directors of the Company.

“**Key Managerial Personnel**” (**KMP**) means

- i. the Chief Executive Officer or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-time director;
- iv. the Chief Financial Officer;
- v. such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed by the Act or rules made thereunder.

“**Senior Management**” means the 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 functional heads.

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. APPLICABILITY**

This policy is applicable to all Directors, KMPs and Senior Management Personnel.

### **5. COMPOSITION OF COMMITTEE**

- a) The Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors.
- b) The Chairperson of the Company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair the Committee.

### **6. ROLE AND FUNCTIONS OF THE COMMITTEE RELATED TO NOMINATION**

#### **I. Appointment Criteria and Qualifications:**

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b) The Committee shall undertake a process of due diligence to determine the suitability of the person for appointment/continuing to hold an appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria.

- c) A person should possess the adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- d) The Company shall not appoint or continue the employment of any person as Managing Director/Whole-time Director who is below the age of twenty-one years or has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
- e) The Company shall obtain necessary information and declaration from the proposed/existing directors as per the format provided under the Companies Act, 2013 and Guidelines issued by the Reserve Bank of India from time to time.
- f) The Company shall obtain annually as on 31st March a simple declaration from the Directors the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- g) The Company shall ensure in public interest that the nominated/elected directors execute the deeds of covenants in the Format provided under the Guidelines issued by Reserve Bank of India from time to time.
- h) To have Directors (minimum one at least, on the Board) with relevant experience of having worked with in a Bank / NBFC, in view of the need for professional experience in managing the affairs of the Company.
- i) To appoint Key Managerial Personnel (KMP), while observing for cases, except for directorship in a subsidiary that the KMP shall not hold any office (including directorships) in any other NBFC-ML (Middle Layer) or NBFC-UL (Upper Layer). A timeline of two years is to be observed with effect from October 01, 2022 to ensure compliance with these norms. However, KMPs can assume directorship in NBFC-BLs (Base Layer).

## **II. Term / Tenure:**

- a) **Executive Directors:**

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time subject to Board Approval. No re-appointment shall be made earlier than one year before the expiry of term.
- b) **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 re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
  - No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, 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.

- Within the permissible limits in terms of the 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. Further, the NRC and in turn the Board of the Company shall ensure that there is no conflict arising out of its Independent Directors being on the Board of another NBFC at the same time. A timeline of two years is to be observed with effect from October 01, 2022 to ensure compliance with these norms. There shall be no restriction to directorship on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013.

### **III. Evaluation:**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

### **IV. Removal:**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

### **V. Retirement:**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy 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.

## **7. ROLE AND FUNCTIONS OF THE COMMITTEE RELATED TO REMUNERATION**

### **I. Principles for Compensation**

#### **a) Components and risk alignment:**

The compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices. The compensation packages may comprise 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.

#### **b) Composition of Fixed Pay:**

All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) may also be part of fixed pay.

#### **c) Principles for Variable Pay:**

- **Composition of Variable Pay:** The variable pay may be in the form of share-linked instruments, or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in

conformity with relevant statutory provisions.

- **Proportion:** The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of KMPs / senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and companywide level. In order to do so, performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.
- **Deferral of Variable Pay:** Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the Board of the Company, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement may be decided by the Board of the Company.
- **Control and Assurance Function Personnel:** KMPs and senior management engaged in financial control, risk management, compliance and internal audit may be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Company. 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.

d) **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.

- e) It is to be ensured that the 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).

## **II. Remuneration to Managing/Whole-time / Executive Director**

The Remuneration/ Compensation/ Commission etc. to be paid to Executive Director / Managing Director etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force. Subject to requisite approvals, in addition to the fixed remuneration, Executive Director/Managing Director is entitled to receive remuneration within the limits prescribed under the Companies Act, 2013 and performance-based remuneration, stock options under ESOP Plan.

If, in any financial year, the Company has no profits or its profits are inadequate, it shall pay remuneration to its Managing Director / Whole-time Director / Other Director in accordance with the provisions of Schedule V of the Companies Act, 2013.

Further, the proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk-taking profile of Directors.

### **III. Remuneration to Non-Executive / Independent Director**

The Non-Executive Independent Director may receive remuneration / compensation / commission as per the provisions of the Companies Act, 2013. The amount of sitting fees shall be subject to ceiling/ limits as provided under the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

### **IV. Remuneration to KMPs and SMPs**

The KMPs and SMPs including functional heads, shall be eligible for a remuneration as per Company's Policy, which will consist of Fixed and variable components including perquisites and statutory benefits, performance-based remuneration, stock options under the ESOP Plan to attract, retain and motivate KMPs and SMPs to attain the short and long term performance objectives of the Company.

Further, the proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of KMPs/SMPs.

### **V. Malus / Clawback**

A 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. A clawback is a 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.

Where any insurance is taken by the Company on behalf of its Directors, Managing Director, KMPs 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.

The deferred compensation may be subject to malus / clawback arrangements in the event of subdued or negative financial performance of the company and/or the relevant line of business or employee misconduct in any year. Upon occurrence of these or similar events, the Company may prompt to invoke the malus and clawback clauses that may be applicable on entire variable pay. While setting criteria for the application of malus and clawback, the Company may specify a period during which malus and/or clawback can be applied, covering at least the deferral and retention periods (a period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed).

## **8. DUTIES IN RELATION TO NOMINATION MATTERS**

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

- Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- Identifying and recommending Directors who are to be put forward for retirement by rotation;
- Determining the appropriate size, diversity and composition of the Board;
- Developing a succession plan for the Board and Senior Management and regularly reviewing



the plan;

- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- Recommend any necessary changes to the Board;
- Scrutinize the declarations received from directors and based on the information provided in the signed declaration, the Committee shall decide on the acceptance or otherwise of the Directors, where considered necessary;
- Considering any other matters, as may be requested by the Board.

#### **9. DUTIES IN RELATION TO REMUNERATION MATTERS**

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

- Considering and determining the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- Approving the remuneration of the Senior Management including KMP of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- Delegating any of its powers to one or more of its members or the Secretary of the Committee.
- Considering any other matters as may be requested by the Board.

#### **10. REVIEW AND AMENDMENT**

- i. The NRC or the Board may review the Policy as and when it deems necessary.
- ii. The NRC may issue the guidelines, procedures, formats, reporting mechanism and manual in supplement and better implementation to this Policy, if it thinks necessary.
- iii. This Policy may be amended or substituted by the NRC or by the Board as and when required and also by the Compliance Officer where there is any statutory changes necessitating the change in the policy.

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