

## **ASIRVAD MICRO FINANCE LIMITED**

### **NOMINATION & REMUNERATION POLICY**

**Approval Details:**

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## **Introduction**

The Board of Directors of Asirvad Micro Finance Limited (“**the Company**”) has constituted Nomination and Remuneration Committee (“the Committee”) pursuant to Section 178 of the Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“LODR”), which is a combination of Non- Executive Directors and Independent Directors. The Committee has formulated and recommended to the Board a policy called “**Nomination & Remuneration Policy**” in adherence to Companies Act, 2013, the provisions of LODR and the regulatory framework for Non-Banking Financial Companies (NBFCs) issued by Reserve Bank of India (RBI).

This policy aims to ensure the payment of equitable, competitive remuneration to all Directors, Key Managerial Personnel (KMP), Senior Management and employees of the Company which is based on individual performance, Company’s benchmark and Industry practices. It envisions that the synergy of versatile individuals with diversified skillsets at the board level will contribute to bringing the Company into great heights. Therefore, it is important to have a competent and highly professional team of board members who leads us.

## **Key Principles of the Remuneration Policy**

The following are the set of principles that act as guiding factors:

- The remuneration of KMPs and Senior Management shall be generally aligned with the policy of the Holding Company;
- Minimize complexity and ensure transparency;
- Promote a culture of meritocracy and is linked to key performance and business drivers;
- Reflective of market competitiveness, so as to attract the best talent.

## **Objective and purpose of the Remuneration Policy**

The following are the key objectives of the policy:

- To guide the Board in relation to the appointment and removal of Directors, KMP and Senior Management;
- To evaluate the performance of the members of the Board and provide the necessary report to the Board for further evaluation;
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage;
- To 'Pay for Performance' i.e. the remuneration shall be linked to the performance and to strike the right balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the goals of the Company;
- To ensure compliance and maintain high standards of governance.

### **Appointment and Removal of Director, KMP and Senior Management Personnel**

#### **1. 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) A person should possess the adequate qualification, expertise and experience for the position he/ she is considered for appointment. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/ satisfactory for the concerned position;
- c) The Company shall not appoint or continue the employment of any person as, Managing Director, Whole Time Director or Manager who has attained the age of seventy years. However, in case of Managing Director, Whole Time

Director or Manager, who has attained the age of seventy years his/ her appointment may be made by passing a special resolution;

- d) The Committee shall undertake a process of Due Diligence based on the criteria of qualification, technical expertise, track record, integrity etc and shall ensure that proposed or existing Director meets the fit and proper criteria as prescribed by the Reserve Bank of India.
- e) The Company shall obtain the declarations in the manner prescribed by RBI as applicable to the Company from time to time from all appointees and review the same and will be subject to execution of covenants as prescribed in the relevant statute.
- f) Assessment of independence & Fit and proper criteria

While considering the appointment of an Independent Director, the Nomination committee and the board shall ensure that the incumbent satisfies the test of independence as provided under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI (Listing Obligation and Disclosure Requirements) 2015. The board shall on a continuous basis ensure that the Independent Directors continue to maintain their independence during their tenure on the board.

To achieve the above objectives, the board may obtain proper declarations from the appointee/ Directors at the time of appointment and at such intervals as the board may deem fit.

An independent director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. A timeline of two years is provided with effect from October 01, 2022 to ensure compliance with these norms. Further, 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 to directorship on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013.

- g) In case of appointment of executive Directors, non-executive Directors or Independent Directors, the Nomination committee and the board shall ensure that they meet the fit and proper criteria prescribed by the Reserve Bank of India from time to time and maintains the position during their tenure in office. The Company shall obtain the declarations in the manner prescribed by RBI as applicable to the Company from time to time from all appointees and review the same.
- h) The Company has extensive borrowing relationships with almost all the leading Banks in India. Commonality of Directorships with any Bank and/or any of its subsidiary/s, is likely to impede timely flow of working funds from such Bank/s to the Company due to regulatory directions in respect of credit sanction by a Bank leading to changes in Bank's internal approval chain and delays. As the seamless flow of working funds is important, the company shall refrain from considering any candidates for on-boarding as a Director who is already serving on any Bank or any of their subsidiary Company/s Board. In the event of any candidate joining after leaving a Bank or subsidiary board with whom the company has borrowing relationships such induction shall be effective after a cooling period of 3 Months from the date of exit from the Bank Board. In case any serving member is desirous of joining any Bank or any subsidiary of such Banks Board such member may exercise choice between the Company and the Bank with due notice to the Company.

**Institutionalised Process and procedure for sourcing (including internal candidates) screening, selection and appointment of KMPs.**

Any appointment to the role of Key Managerial Personnel, excluding the position of Managing Director shall be proposed to the Nomination and Remuneration Committee of the Board after an initial screening and selection by a panel constituting the Managing Director and Head of HR.

**Institutionalised Process for sourcing, screening, selection and appointment for whole time Directors (MDs and Eds (if applicable)).**

Any appointment to the role of Managing Director/Executive Director (if applicable) shall be proposed to the Nomination and Remuneration Committee of the Board after an initial screening and selection by a panel constituting of 3 or more Directors as may be decided by the Board, which shall mandatorily include the Chairman of Nomination and Remuneration Committee and Chairman of the Board.

The Nomination Committee shall periodically review the mix of Executive/Non - Executive, Independent/Non-Independent Directors vis-à-vis the extant regulations. The Committee shall also review the skillsets required for a proposed candidate and the process for sourcing, selection and appointment of Independent / Non -Executive Directors, once a vacancy is identified including impending vacancies based on future retirements.

**2. Tenure**

**a) Managing Director / Whole-time Director:**

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 at the discretion of the Board. No re-appointment shall be made earlier than one year before the expiry of the term.

**b) Independent Director:**

An Independent Director shall hold office for a term up to maximum five consecutive years on the Board of the Company and will be eligible for re-appointment for another term of maximum five year on the passing of a special resolution by the Company. Independent Directors shall not retire by rotation.

The Chairman/ Managing Director of the Company shall issue and sign the appointment letter of Independent Directors.

### **3. Removal**

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

### **4. Succession planning for appointment to board and senior management positions.**

The board may identify suitable persons to be appointed to the board positions for filling up vacancies.

The vacancies caused by the exit of an Independent Director may be filled by the appointment of an Independent Director. However, if the vacancy does not affect the strength of minimum required Independent Directors, the board may or may not fill the vacancy as it may deem fit.

Suitable candidates may be identified by the Directors from reputable references or from data banks maintained by industry associations, professional bodies or nongovernmental organizations or by inviting applications through any media.

Vacancies in senior positions in the Company may be filled by a system of promotion of existing employees based on appropriate screening procedures set by the Nomination committee from time to time. In the event of no suitable candidate being found fit for promotion, a suitable person from any of the group companies, or from outside may be chosen.

Company may identify critical positions and shall devise a system of proper mentoring to identify officers of the Company to take up the senior positions



wherever a vacancy is caused to ensure the business continuity in the best interest of the Company.

## **Remuneration to the Directors, KMP and Senior Management Personnel**

### **i) Executive Directors and Non- Executive Directors/ Independent Directors**

- The remuneration and commission of Executive and Non- Executive Directors/ Independent Directors shall be recommended by the Committee to the Board of Directors and shall be subject to the provisions of Companies Act, 2013.
- The remuneration for Executive Directors shall be arrived at by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry, future contribution, etc. The elements of the remuneration and limits are applicable as defined in the Companies Act, 2013 and rules/ schedules made thereunder.
- The remuneration of Executive Directors shall be divided into two components i.e. fixed and variable. The fixed component comprises salary, allowances, perquisites, provident fund, gratuity etc. The variable component comprises annual performance pay which may be a fixed amount as decided by the Board. In addition to this, the Executive Director may also be offered and allotted shares under the Employee Stock Option Scheme (ESOS) of the Company.
- At the beginning of each financial year NRC with the approval of the Board shall prescribe KPIs for MD and Executive Directors.
- Any variable pay shall be in compliance with RBI guidelines contained in circular dated April 29, 2022
- The Non-Executive and Independent Directors of the Company would be paid sitting fees within the permissible limits prescribed under the Companies Act, 2013 and rules framed thereunder for attending meetings. The sitting fee shall be decided by the Board from time to time on the recommendation of the Committee.



- In case of profits/inadequate profits/ losses, the Directors may also be paid remuneration by way of Commission as defined in the Companies Act, 2013 read with Schedule V of the said act. The Committee shall recommend to the Board for the payment of Commission to Directors.
- The Board of Directors shall decide the actual amount to be paid to each Non-Executive/ Independent Director based on factors such as meetings attended by the Director, time and effort put in and contribution made by them.
- Independent Directors shall not be entitled to stock options.

## **ii) KMP and Senior Management**

Compensation Policy for KMP and Senior Management is annexed as Annexure A.

### **Membership & Quorum:**

The Committee shall consist of :

- (a) the committee shall comprise of at least three directors.
- (b) all directors of the committee shall be non-executive directors; and
- (c) at least two-thirds of the directors shall be independent directors

### **Chairperson:**

The Chairperson of the nomination and remuneration committee shall be an independent director.

The chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee. Chairperson of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

### **Frequency of Meetings**

The meeting of the Committee shall be held at such regular intervals as may be required but at least once in a year.

## **POLICY ON DIVERSITY OF BOARD OF DIRECTORS**

This policy on diversity is largely framed to address the importance of a diverse Board in harnessing the unique and individual skills and experiences of the members in a way that collectively benefits the organization and business. The basic essence is to provide a framework for leveraging on the differences within the expertise of the Board, offering a broad range of perspectives that are directly relevant to the business. A truly diverse Board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender, which will ensure that the Company retains its competitive advantage.

The Company believes that a diverse Board will amongst others–

- a. Enhance the quality of decisions making and ensure better business performance.
- b. Encourage diversity of perspectives thereby fuel creativity and innovation.
- c. Complement and expand the skills, knowledge and experience of the Board as a whole.
- d. Provide better Corporate Governance.

The board of Directors of the Company should have a fair combination of executive and non-executive Directors with not less than 50 percent being Non-Executive Directors. The Company shall maintain the strength of Independent Directors on its board keeping in mind the regulatory requirements and guidelines on Corporate Governance.

The Company shall appoint Directors keeping in mind an ideal diversity in knowledge or expertise that could add value to the overall performance of the board and of the Company. The desired diversity may be fixed by the Nomination and Remuneration Committee (“the Committee”) based on the nature of business of the Company from time to time. The diversity of the total board may include the following;

- Expertise in;
- i. Banking, Finance, Accountancy, Taxation
  - ii. Governance, Regulatory background, Law and practice
  - iii. Management, Administration
  - iv. Engineering, Human resource, Subject of social relevance
  - v. IT, Marketing

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.

All Board appointments will be done on merit, in the context of skills as required for the areas of our business operations, management and also expertise in the fields of regulatory, legal, research, human capital management, strategic planning, marketing and general administration.

The Committee is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified persons to occupy Board positions.

Any new member proposed to be inducted in the Board, preferably to be with Corporate Board Experience of at least 3 years in any related customer facing and regulated company.

The Nomination Committee is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified persons to occupy Board positions with the prescribed requirements in consultation with the Board.

While all appointments to the Board will continue to be made on merit, the Committee will consider the benefits of diversity (including but not limited to the attributes listed above) in identifying and recommending persons for Board membership, as well as in evaluating the Board and its individual members.

Further, the Committee will ensure that no person is discriminated against on grounds of religion, race, gender, pregnancy, childbirth or related medical conditions, national origin or ancestry, marital status, age, sexual orientation, or any other personal or physical attribute which does not speak to such person's ability to perform as a Board member.

Accordingly, the Committee shall:

1. assess the appropriate mix of diversity, skills, experience and expertise required on the Board and assess the extent to which the required skills are represented on the Board,
2. make recommendations to the Board in relation to appointments, and maintain an appropriate mix of diversity, skills, experience and expertise on the Board, and
3. periodically review and report to the Board requirements, if any, in relation to diversity on the Board.

### **Annexure A**

**Asirvad Micro Finance Limited**  
**Compensation policy**  
**(Applicable for Key Managerial Personnel (KMPs) and Senior Management Personnel (SMPs) and Other Employees)**

**Effective from:** This Policy is effective for the financial year 2024 and onwards.

#### **1. Objective of the policy**

The policy seeks to achieve the following objectives.

- a) To establish guidelines for remunerating employees fairly and in keeping with Statutes
- b) To determine a level of compensation based on the Company's business outlook, financial position, growth and trends and practices on remuneration prevailing as the best practices in competitive compensation based on fairness and equity
- c) To align reward and recognition mechanism directly to the effort, commitment, performance, dedication, and achievement relating to the Company's operations
- d) To attract, retain, motivate, and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

- e) To 'Pay for Performance' i.e., the compensation shall be linked to the performance and to strike the right balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the goals of the company.
- f) To ensure compliances and maintain high standards to governance. In the context of the aforesaid, the following policy has been formulated

## **2. Scope of the policy**

This Policy is applicable to all Key Managerial Personnel (KMPs) including While time Directors and other members of the Key Managerial Personnel, Senior Management personnel (SMPs) of the Company ( hereinafter together referred to as “Covered Employees”).

## **3. Definition(s)**

3.1. “Key Managerial Personnel” (KMP) as defined in section 2(51) of the Companies Act, 2013(“the Act”) means:

- (i) the Chief Executive Officer or the Managing Director.
- (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 CEO who is in whole time employment, and designated as Key Managerial Personnel by the Board: and
- (vi) such other officer as may be prescribed.

3.2. “Senior Management” shall mean officers/personnel of the Company who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.”

3.3. Nomination and Remuneration Committee (“NRC”) shall mean a committee of the Board having the constitution, powers, functions, and duties as laid down in section 178 of the Companies Act, 2013, applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, RBI Guidelines and other applicable legal provisions.

3.4. A “malus” arrangement shall mean where the Company prevents the vesting of all or part of the amount of a deferred remuneration /Benefit.

3.5. A “clawback” arrangement shall mean a contractual agreement between the Covered Employees and the Company in which the Covered employee agrees to return previously paid or vested remuneration to the Company under certain circumstances or empowers the Company to recover previously paid or vested remuneration by the company under certain circumstances.

3.6. “Retention period” shall mean a period of time after the vesting of instruments which have been awarded as deferred compensation during which they cannot be sold or accessed.

#### **4.Underlying Principles for the policy**

The policy is prepared based on certain specific principles in the context of our operations as detailed below.

- To align the compensation with the long-term interests of the Company and its shareholders/ stake holders.
- To be transparent as far as possible simultaneously ensuring less complexity.
- Align the parameters to annual business performance of the company.
- To ensure meritocracy and is linked to key performance and business drivers.
- Reflective of market competitiveness so as to attract the best talent.

#### **5. Compensation Structure**

The broad structure of compensation payable to Covered Employees shall be as under:

### 5.1 Fixed Pay

Fixed pay has components like basic salary and other allowances as per the grade and position fixed by the Company based on the scale and position of the employee in the company in accordance with the HR policy in force and may include benefits such as company provided car, medical & dental benefit, loans, insurance benefits, vehicle fuel and maintenance expenses, club membership, mobile instruments, etc., as per the Policy of the Company. Retirals such as PF, Gratuity & contribution towards pension fund. Joining / sign-on bonus for new KMP / Senior management hiring may not be part of fixed pay.

### 5.2 Variable Pay

Cash component:

a) Annual component - based on individual performance against Key Performance Indicators (KPIs) agreed between the employee concerned and the Company which shall be made operative subject to overall company's performance being in line with budgetary objectives. While the KPIs will be set by the NRC in respect of Whole time Directors, KPIs in respect of KMPs and SMPs who are subject to variable pay shall be fixed by Managing Director in consultation with NRC. Such amounts are paid in cash at the end of the review period to the concerned employee and will be based on the assessment with the approval of the NRC/ Board

b) Joining / sign-on bonus for new KMP / Relocation incentive/severance pay etc. Such payments are paid in cash or reimbursement wherever applicable as per the rules of the company applicable.

c) Deferred annual compensation: Certain portion of the performance based variable pay, (Annual component) as decided by NRC/Board, may be deferred. Such deferral may be made applicable to cash and non-cash components of variable pay. The quantum and the deferral period of such deferral arrangement may be decided by the NRC/Board. Conditions applicable for the payment of such deferrals including in the event of severing relationship with the company, any unforeseen events associated with the beneficiary of the payment may be decided by the NRC/Board. The vesting of deferred



cash component of variable pay would continue as per schedule decided by the NRC/Board at the time of deferral even after separation of the employee from the services of the company except in the event of this separation being on account of Malus or Claw back provisions being applicable. In the event of death or permanent disability of the individual unvested portions of variable pay will vest immediately except in situations where provisions of Malus / Clawback as applicable will apply.

d) Employee Stock Options (ESOP) granted under approved ESOP schemes of the Company with attendant conditions and vesting schedule post the grant.

e) Restricted stock unit (RSU): Involving awarding of shares, as a form of employee compensation with attendant conditions to be met by the employee concerned. Such RSUs are issued to employees through a vesting plan and distribution schedule after they achieve required performance milestones or upon remaining with their employer or a particular length of service etc. The company do not have any existing arrangement to issue RSUs and in the event of any such arrangement being sought it shall be with the prior approval of the NRC/Board.

### 5.3 Principles and procedures applicable for Variable pay

a) Variable pay as a proportion of total remuneration increases as roles and responsibilities increase.

b) The percentage distribution of total remuneration could vary basis roles and responsibility and performance in a given financial year

c) Wherever any employee is paid a variable pay it shall be subject to well defined performance indicators clearly articulated with the employee. Such KPIs shall clearly link the performance with the total remuneration paid to an individual. This is shared at the start of the year with KMP and members of senior management Personnel (SMP).

d) The annual performance management process of the company gets initiated at the start of the financial year with goal setting. At the end of the year, the individual is evaluated on the performance delivered basis individual, business/ function unit's and company's performance. In addition, the individual is also rated on leadership demonstrated during the year.

#### 5.4. Procedure for application of Variable pay to Individual cases.

At the beginning of each accounting year Management in consultation with NRC shall devise the detailed sets of KPIs applicable to employees being considered for payment of variable pay (in cash or non-cash) along with the parameters applicable to each employee. The exercise will cover, besides setting goals/KPIs for the year under review, the quantum of variable pay in cash, the portion of variable pay to be considered for deferral, the non-cash component of variable pay (ex. ESOP etc.) applicability of Malus, Clawback etc within the overall ratio of fixed versus variable pay prescribed in the policy/regulations. Accordingly, the final KPI will be signed off by the Management with the employee individually.

At the end of the accounting year (review year) management through the reporting authority will carry out the assessment of performance of individual employee vis a KPIs assigned and signed off at the beginning of the year. This exercise by the reporting authority/s will determine the final amount of the variable pay for the year and the split between cash, non-cash and also the portion of the amount subjected to deferral, claw back and Malus, the period for which these will prevail. The amount so decided will be communicated to the employee.

#### 6. Compensation for Control and assurance function personnel:

a) The goal setting and performance appraisal process of the company ensures that KMPs and senior management engaged in financial control, risk management, compliance and internal audit have performance measures that are independent of the business areas they oversee.

b) The RMC and Audit committee of the Board reviews their performance independently and advises the company on their performance which in turn results in the variable part of their compensation.

#### **6. Role of NRC:**

- a) NRC shall be responsible for framing, review, modifying and implementation of this Policy, subject to the approval of the Board of the Company.
- b) NRC shall recommend to the Board, all remuneration, in whatever form, payable to KMPs and Designated Senior management personnel (SMPS).
- c) NRC shall ensure that related RBI Guidelines pertaining to the composition and proportion of fixed and variable pay shall be adhered to while determining the compensation of the KMPs and SMPs, including but not limited to the following conditions:
  - The compensation shall achieve a fine balance between the attractiveness for the concerned employee on one hand and profitability & capital adequacy of the Company on the other hand.
  - For all reimbursements, which are part of the fixed pay, there should be a monetary limit specified in the internal grade-wise policies of the Company.
  - Proportion of variable pay vis a vis Fixed pay shall be dependent on the level of the employee, roles they carry.
  - Any variable pay will be subject to delivery of Key Performance indicators as decided by the NRC/Board. Such KPIs will be set at the beginning of the financial year after due discussion with the concerned officer.
  - Care shall be taken to ensure that critical control functions are not rewarded for business performances.
  - NRC in consultation with the Board shall also determine representative set of situations for invoking the malus claw back arrangements as detailed separately in this policy under para;

**7.Malus and Clawback provisions. :** 7.1.Malus: A malus is a feature of a remuneration arrangement that reduces the amount of a deferred incentive/ bonus, so that the amount of the payout is less than the amount of the bonus/incentive awarded. Accordingly once Malus is invoked/triggered the amount of the payout is less than the amount of the incentive. Examples are stock options granted and is waiting to be vested. Malus arrangement does not reverse a vested right after it has already occurred.

7.2.The term clawback or claw back refers to any money or benefits that have been given out but are required to be returned (clawed back) due to special circumstances or

events, such as the monies having been received as the result of a defined event triggered due to a clawback provision in the compensation. This policy proposes to make the variable (in full or part) part of the compensation subject to Malus /Clawback arrangement. While a malus arrangement permits the company to prevent vesting of all or part of the amount of a deferred remuneration and clawback, on the other hand, 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.

7.3. Applying of Malus / Clawback arrangement on entire or part of variable pay on occurrence of the following Situations: identified fraud / misconduct by the executive (whole-time directors, Chief Executive Officers / Material Risk Takers (MRTs)) pertaining to the corresponding period for which the clause to be applied. Malus & Clawback awards of variable pay will be subject to ex-ante / ex-post risk based assessment, on an annual basis at the time of allocation / vesting. 'Malus' (the reduction or cancelation of unvested awards) or 'Clawback' (recovery of payments already made) shall be implemented as under;

The Company shall, as a matter of principle prior to any action under this provision, will ensure due regard to the principles of fairness and Natural Justice in the administration of the process of implementing the provisions.

**8. Circumstances under which application of Malus and Clawback is to be considered:**

Variable pay part of Compensation will be subject Malus and Clawback arrangements in the event of occurrence or circumstances as detailed below;

NRC may duly take into consideration factors that were within control of the person ( the subject employee), 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 socio-economic conditions etc in administering the Malus

and clawback provisions.

Certain instances of such events ( not exhaustive) are given below;

- a) 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.
- b) Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information
- c) Willful misinterpretation / misreporting of financial performance of the company
- d) Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- e) Non-disclosure of material conflict of interest by the employee or any misuse of official powers
- f) An act of willful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the company.
- g) Malus may also be applied in the situation of significant deterioration of financial or risk. performance from one financial year to the next. 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
- h) Any events such as relating to information security events, fraud, consumer abuse, regulatory inspection observations (including awarding of lower (adverse) grades by the regulator) resulted on account of lack or deficiency or inadequacy of oversight by the subject person
- i) Any other events in the opinion of NRC/Board that has resulted in significant financial and or reputational loss
- j) 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.
- k) Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

### **09. Application of Malus & Clawback provisions**

- a) NRC will review the requirement to invoke the Malus or Clawback provisions in the event one or more of the circumstances come to light.
- b) The review by the NRC will aim to determine the involvement, accountability, severity and willful nature of the act of the concerned person/s.
- c) Bonafide errors of judgment will not be subject to Malus provisions.
- d) The provision of a Malus arrangement would entail cancellation of deferred portion of variable pay. The NRC may decide to apply Malus on part, or all of the unpaid cash portion of variable pay or unvested ESOPs basis level of involvement, proportionality and impact.
- e) The provision of Clawback arrangement would entail return of already paid variable pay in cash and/ or ESOPs attributable to a given reference year to which circumstances triggering the provisions of Malus and Clawback are related.
- f) The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact.
- g) NRC/Board at its discretion shall decide any threshold amount below which the retention period of deferral, vesting period of any non-cash based incentives and application of clawback on paid incentives.

### **10. Operational procedure Malus/Clawback**

- a) As detailed in para 5.4 the exercise will decide the detailed arrangements for invoking deferral payment (retention) of cash incentives, malus and claw back provisions. Once the exercise is finalized appropriate advice/agreement will be signed with the subject employees upon granting.
- b) Subsequent to granting the arrangement concluded at the end of the accounting year will be reviewed by the NRC/Board every year to decide on invocation of one or more arrangements with the beneficiary employees.
- c) In the event of a decision by the NRC/Board to invoke the arrangement vis a vis any of the subject employee management will initiate actions with appropriate notices to the employee concerned.
- d) Period: Retention, Malus and clawback provision on any individual cases shall apply for a period of 3 years after the date of grant of the underlying variable pay



to the employee concerned.

Provided that variable pay upto and inclusive of Rs. 25 lakhs may be exempt from the application of these provisions.

## **11. Approval and Amendments**

- a) The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the policy entirely with a new policy, based on the recommendation(s) of NRC, from time to time.
- b) Statutory/ regulatory provisions and any amendments thereon, made from time to time shall be binding on the Company and will be complied even if not specifically incorporated in this Policy.

## **12. Limitation**

In the event of any conflict between the provisions of this Policy and the Regulatory prescriptions (including The Companies Act 2013, SEBI LODR and directives of The Reserve Bank of India) the regulatory provisions will prevail over the policy.

## **13. Review of the policy:**

The policy will be reviewed annually by the Board or earlier as the Board may choose.

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