

NOMINATION AND REMUNERATION POLICY

1. Introduction:

Ratnaafin Capital Private Limited ("RCPL"/ "Company") recognizes the importance of aligning the business objectives with specific and measurable individual targets set for achieving it and therefore the Company constantly endeavours to ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate, Directors, Key /Senior Managerial Personnel (KMP /SMP) of the quality required to run the company successfully; relationship of remuneration to performance is clear and meets the appropriate performance benchmarks; and remuneration 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.

Therefore, the Company felt it necessary to formulate a Nomination and Remuneration Policy relating to nomination and remuneration for the Directors, Key Managerial Personnels, Senior Management and Other employees in terms of Section 178 of the Companies Act, 2013 read with rules made thereunder & Schedule IV thereto and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (SBR) and amended from time to time.

2. Objective:

The key objectives of this policy are as under:

- a. Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors before their appointment and on an annual basis.
- b. Institutionalize a mechanism for the appointment/ removal/ dismissal of directors and lay down selection criteria for appointment of director.
- c. Formulate criteria for determining qualifications, positive attributes and independence of directors
- d. To provide to KMP/SMP reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- e. To provide just and adequate compensation to retain, motivate and promote talent and to ensure long term sustainability of talented KMP/ SMP
- f. Ensure Board diversity
- g. Develop and regularly review succession plan for the Board
- h. Formulate the criteria for evaluation of performance of all the Directors on the Board
- i. 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
- j. Define internal guidelines for payment of perquisites to the directors and KMP/ SMP.

3. Definition

- a. "Act" means the Companies Act, 2013 as amended from time to time;
- b. Associate shall mean a company which is an "associate" as defined in Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.
- c. "Board of Directors or Board" means the board of directors of RCPL;
- d. "Director" means member of the Board of Director;

- e. "Key Managerial Personnel or KMP" shall have the same meaning as defined under Section 2(51) of the Act;
- f. "Independent Director" means as defined under Section 2(47) of the Act;
- g. "Managing Director or MD" means as defined under Section 2(54) of the Act;
- h. "NRC" means Nomination and Remuneration Committee of RCPL;
- i. 'Senior Management' means the personnel of the Company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

4. **Applicability**

All new appointments made in the Board of Directors and KMP including the remuneration will be covered under this policy.

The policy shall be applicable to the following:

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

5. **Appointment of Directors**

a. Board of Directors, KMP and senior managerial personnel

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

The Board of Directors of the RCPL shall satisfy itself that there is a succession plans in place for appointment to new directors and senior management. RCPL shall have an optimum combination of executive and non-executive Directors as required under various applicable regulations.

The Nomination and Remuneration Committee of the Company shall identify persons who are qualified to become directors, who may be appointed in senior management in accordance with the applicable regulatory norms. Any Board Member of the Company or Holding Company or any Professional Consultant can refer/recommend profile of suitable candidates to the Chairman of Nomination Committee for review and evaluation.

Shareholders' approval shall be obtained for appointment of directors including Independent Directors at the next General Meeting.

- The upper age limit for CEO & MD and other Whole Time Directors (WTDs) of the NBFC should be 70 years. He/she should not be a Member of Parliament / Member of Legislative Assembly / Member of Legislative Council. The upper age limit for non- executive Director and Chairman shall be 75 years.

- The Director shall furnish his Director Identification Number and a declaration that he is not disqualified to become a director under the Companies Act, 2013.

- Director shall provide such other confirmation/consent/disclosures as required under the Act, Listing Regulations and applicable RBI Guidelines.

- 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 containing the terms and conditions of the appointment including the remuneration.
- 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.
- With reference to the provisions of section 203 Company Secretary and Chief Financial Officer of the Company can hold the office in Holding and Subsidiary Company at the same time.

6. Term / 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. No re-appointment shall be made earlier than one year before the expiry of term.

b. Independent Director:

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 the Section 149 read with Schedule IV to the Act and other relevant regulations as applicable.

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.

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.

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.

The company and independent directors both shall abide by the provisions specified in Schedule IV to the Act.

c. Performance Evaluation

The Committee shall advise the process to carry out evaluation of performance of every Director, KMP and SMP and other employees at regular interval (yearly).

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.

d. 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 Annex XIII to the 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 Annex XIV to the Master Directions.

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

A quarterly statement on change of directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed, shall be furnished to the RBI. The statement must reach the Regional Office of the Department of Supervision of the Company 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.

e. 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.

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.

f. 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, subject to compliance of all applicable legislations.

7. Compensation Structure:

While determining 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.

a. Compensation to Managing Director/Whole time Director/KMP/ SMP:

- i. The remuneration / compensation / commission etc. to the Managing Director/ Whole-time Director, KMP and SMP 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.
- ii. The remuneration and commission to be paid to the Managing Director / Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and the applicable Regulations.
- iii. 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 Managing Director / Whole-time Director.

Where any insurance is taken by the Company on behalf of its Managing Director / Whole-time Director and KMP and any other employees 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. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration. However, proportionate Insurance Premium paid for Group Medclaim Policy or Group Personal Accident Policy shall be considered as part of the overall remuneration for the individual director/employee of the Company.

b. Compensation to Part time Director:

- i. The Non - Executive or 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 prescribed limits per meeting of the Board or Committee, or such amount as may be decided and mentioned in the Article of Association of the company.
- ii. An Independent Director shall not be entitled to any stock option, if any, of the Company.

iii. 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.

The amount of sitting fee to be paid to a director for attending meetings of the Board or committees thereof per meeting of the Board or committee thereof shall be as per the provision prescribed under Article of Association of the company.

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 fee, receive reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.

c. Compensation to KMP/SMP:

The compensation for KMP / SMP shall comprise of monthly salary with superannuation benefits, performance bonus and stock incentives (ESOP). The salary paid shall have a fixed component and another 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:

i. The performance bonus and stock incentives are treated as part of variable compensation but are over and above the variable component of salary.

ii. 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.

iii. 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.

iv. The NRC has the right to fix the composition of fixed and variable pay ratio of KMP and the above ceiling will not be applicable to KMP.

v. 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.

vi. Similarly, vehicles provided for discharge of duties with driver and petrol shall not be treated as part of compensation, even though they may be subject to personal income tax by the KMP.

vii. 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.

viii. The KMP/ SMP will merit for full or part of offered/ agreed variable compensation after the completion of the financial year and based on his/ her performance. The variable portion of salary shall be paid at same proportion of performance whereas cash incentive and stock options are determined in ranges of performance.

ix. RCPL shall defer the payment of variable incentive for a period not exceeding 3 months from the end of financial year.

x. 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.

xi. Stock Incentive:

The stock incentives will be governed by the RCPL's Stock option Scheme, as and when approve by the board and shareholders, wherever required. The stock option plan including eligibility, grant, redemptions shall be governed by the Company's Stock option schemes.

xii. The Non-executive Directors (Non-promoter) are also eligible for any mode of Stock incentives.

xiii. The performance of other departmental heads and members of core management shall be assessed through the KPI module vetted by NRC and reviewed by the Managing Director

d. Compensation to other employees

The remuneration of other employees is fixed from time to time as per the guiding principles outlined by 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. Policy of motivation/ reward/ severance payments is applicable to this category of personnel as in the case of those in the management cadre.

8. Malus and Claw Back Provisions:

The provisions of Malus and Claw Back will be decided by the committee in the separate policy of Compensation for Key Managerial Personnel and Senior Management with reference to Scale Based Regulations.

9. In principle Governing Compensation:

- a. **Measurement of Compensation:** The compensation / remuneration for the Managerial Persons, Directors, other KMPs and SMPs shall be evaluated by the Nomination and Remuneration Committee and shall be placed before the Board for approval. The compensation / remuneration including all forms of payments and incentives shall be evaluated as per risk & responsibilities, market driven forces (demand and availability) and the competence of the candidate for appointment / employment. However, the NRC shall ensure, as far as possible, that the compensation is decided in consistency with the hierarchy order (reporting and controlling authority), which is taken in the descending order as Managing Director, Executive Director, any other Whole-Time Director, CFO, COO, CS, CCO

and all other department heads. The hierarchy discipline in compensation shall be maintained in each department as well.

- b. No Inter-departmental congruence: The compensation for department heads, falling in one hierarchy order, may have different structures and quantum based on negotiation with employees at the time of appointment as well as in alignment with quantum of risk and responsibilities assigned.
- c. Escalation of compensation: The compensation for the KMP and SMP may be with a escalation as approved by NRC. It may differ from person to person depending on the risk alignment. The percentage of rise in compensation so decided is the maximum that he/she can get subject to individual, departmental, or corporate performance. Further, the KMP / SMP including department heads assigned with business development and allocated targets will be assessed in terms of their personal and departmental achievements in accordance with role and responsibilities. The KMP/ SMP including department heads in non-business areas such as internal audit, monitoring, financial controls, risk management etc., shall be assessed in terms of corporate achievements. Such personnel may have higher proportion of fixed compensation, but with reasonable proportion of variable pay so that the options of malus and claw-back do not become infructuous. The maximum escalation proposed with conditions of variance in accordance with performance shall be clearly communicated to the KMP / SMP or any other employee.

10. 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.

11. Monitoring and Evaluation:

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 regulations or as may be felt appropriate by the Committee. Any changes or modification to the policy as recommended by the Committee would be placed before the Board of Directors for their approval and such changes shall be disclosed in the Board's Report.

12. Clarification / Amendment:

This Policy is framed based on the provisions of the Act and rules there under, RBI's guideline on Corporate Governance and the Articles of Association of the Company. In case of any subsequent changes in the provisions of the Act, Articles of Association or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act, Articles of Association 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.