

# **AVENDUS FINANCE PRIVATE LIMITED**

## **NOMINATION AND REMUNERATION POLICY**

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1.3	December 21, 2023	Secretarial Team	Board of Directors	Changes as per RBI Circular

## **NOMINATION AND REMUNERATION POLICY**

This Nomination and Remuneration Policy is in compliance with the provisions of Section 178 of Companies Act, 2013 read along with the applicable rules thereto and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations'), RBI Circular on Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs dated April 29, 2022, as amended from time to time.

This Policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been laid down on the recommendations of the Nomination and Remuneration Committee of the Board and approved by the Board of Directors at its meeting held on June 27, 2020.

This Policy and the Nomination and Remuneration Committee (NRC) Charter are integral to the functioning of the Nomination and Remuneration Committee and are to be read together.

The NRC shall focus on achieving effective alignment between compensation and risks and also keep outcome of ICAAP as one of the parameter for such effective alignment. The NRC may have at least one member common of the Risk Management Committee to ensure close co-ordination between the two committees.

### **1. APPLICABILITY AND SCOPE**

This Policy is applicable and covers the appointment, remuneration of Directors, Key Managerial Personnel ("KMP"), and Senior Management of the Company and performance appraisal of the Directors.

### **2. OBJECTIVES**

The Policy lays down the:

- i. Criteria for determining *inter-alia* qualification, positive attributes and independence for appointment of a Director (executive/non-executive/independent) on the Board of the Company.
- ii. Criteria for payment of remuneration to Directors, (KMP), Senior Management and other Employees of the Company.

### **3. DEFINITIONS**

- i. "Board" means Board of Directors of the Company.
- ii. "Company" means "Avendus Finance Private Limited."
- iii. "Employee" means any person who is employed by the Company but does not include the person who is engaged by the Company for a specific period or assignment by way of an

agreement or contract.

- iv. "Employees' Stock Option" means the option given to the Directors, Officers or Employees of a company, as per the Employees Stock Option Scheme of Aventus Capital Private Company ("the Holding Company"), as may be determined by the Board of the Holding Company and the Company, which gives such Directors, Officers or Employees, the benefit or right to purchase, or to subscribe for, the shares of the Holding Company.
- v. "Independent Director" means a director referred to in Section 149 (6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI Listing Regulations.
- vi. "Key Managerial Personnel" (KMP) means
  - a. Chief Executive Officer or the Managing Director or the Manager,
  - b. Company Secretary,
  - c. Whole-time Director,
  - d. Chief Financial Officer and
  - e. 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
  - f. Such other officer as may be prescribed.
- vii. "Committee" shall mean the Nomination & Remuneration Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI Listing Regulations
- viii. "Policy" means, "Nomination and Remuneration Policy."
- ix. "Remuneration" means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income- tax Act, 1961.
- x. "Senior Management" shall mean the officers and personnel of the listed entity 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."

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

4. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMP AND SENIOR MANAGEMENT

A. 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 Senior Management who may be qualified to become Directors or KMP or Senior Management and recommend to the Board his / her appointment. The Committee may at its discretion ratify the appointment of Senior Management and recommend the same to the Board;
- b) A person to be appointed as Director, KMP or Senior Management should possess adequate qualification, expertise and experience for the position he / she is considered for;
- c) The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the designated position and the criteria shall be in compliance with the provision of Companies Act 2013, SEBI Listing Regulations and such other requirements as may be required by any law for the time being in force and applicable to the Company;
- d) Approval of shareholders for appointment of a person on the Board of Directors is required to be taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier;
- e) The Company shall not appoint or continue employment of any person as a Managing Director / Whole-time Director who has attained the age of seventy years and Non-Executive Director who has attained the age of seventy-five years. Provided that the term of person holding these position(s) may be extended beyond the age of seventy years /seventy-five years with the approval of the shareholders by passing a special resolution based on the justification stating reasons / clarification for extension of appointment beyond seventy years/ seventy five years as the case may be;
- f) The appointment, re-appointment or removal of an Independent Director of the Company, shall be subject to the approval of shareholders by way of a special resolution;
- g) Where a special resolution for the appointment of an independent director fails to get the requisite majority of votes but the votes cast in favour of the resolution exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution, then the appointment of such an independent director shall be deemed to have been made under sub-regulation (2A) of Regulation 25;
- h) An independent director appointed under the above shall be removed only if the votes cast in

favour of the resolution proposing the removal exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution;

- i) 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; and
- j) With respect to appointment of Employees other than the one mentioned above, the Human Resource Department with the consultation / advice /recommendations of the respective Functional Head / Managing Director of the Company, as the case may be, can decide on their appointments and the same need not be recommended to the Committee/Board as the case may be.

**B. Term / Tenure:**

- a) Managing Director / Whole-time Director / Manager (Managerial Personnel): The Company shall appoint or re-appoint a person as its Managerial Person for a term not exceeding five years at a time by passing of a resolution and make disclosure of such appointment in the Directors Report. No re-appointment shall be made earlier than one year before the expiry of term.
- b) Independent Director:
  - 1. Subject to recommendation by the Board, an Independent Director shall hold office for a term upto five consecutive years on the Board of the Company.
  - 2. No Independent Director shall hold office for more than two consecutive terms of upto maximum of five years each, but such Director shall be eligible for appointment as Independent Director after expiry of three years of ceasing to become an Independent Director.
  - 3. The Independent Director shall not, during the said period of three years, be appointed or be associated with the Company in any other capacity, either directly or indirectly.
  - 4. The Independent Director, who resigns from the Company, shall not be appointed as an executive / whole time director on the board of the Company, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director.
  - 5. 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 applicable regulations in force.

**C. Evaluation:**

The Committee shall carry out evaluation of performance of every Director at regular interval (yearly).

**D. Removal:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013 ('Act') and rules made there under or under any other applicable Act, rules and regulations or any Code of Conduct or any policies of the Company or Avendus Group Policies, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the Act, rules and regulations.

**E. Retirement:**

The Executive Director, KMP and Senior Management shall retire as per the prevailing policy of the Company. On the recommendation of Avendus Group, Head Human Resources and in line with the Avendus Group HR philosophy, the Board will have the discretion to retain the Executive Director, KMP, Senior Management in the same position / remuneration, for such further period even after attaining the retirement age, for the benefit of the Company.

**5. DISQUALIFICATION FOR APPOINTMENT OF DIRECTORS**

A person shall not be eligible for appointment as director of the company if he does not meet the requirement or disqualifies as a director under of Companies Act, 2013. A person shall not be eligible for appointment and continuance as a Director if he / she is not found 'fit and proper' by the Nomination & Remuneration Committee.

**6. REMUNERATION POLICY FOR DIRECTORS, KMP AND SENIOR MANAGEMENT**

The Remuneration Policy captures remuneration strategies of the Company which include compensation, variable-compensation and the process for the measurement and assessment of employee and executive performance.

This Remuneration Policy applies to the Company's Directors, KMP, Senior Management and other Employees.

**A. Remuneration for Directors of the Company**

The remuneration / compensation / commission to be paid to the Directors will be determined by the Committee and recommended to the Board for approval.

The remuneration and commission to be paid to the Managing Director/Whole-time Director shall be in accordance with the provisions of the Companies Act, 2013, the rules made thereunder and SEBI Listing Regulations.

**B. Remuneration of Non-executive Directors including Independent Directors**

The Non-Executive Directors (who are not in the employment of the Company and /or its holding company / subsidiaries / associates) / Independent Directors of the Company shall be paid sitting fees as per the limits prescribed under the Companies Act, 2013 and as may be decided by Board of Directors of the Company.

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

**C. Remuneration of KMP / SENIOR MANAGEMENT**

The Company shall review, at least annually, the KMP / Senior Management remuneration arrangements under advice from the Human Resources team, which will be based on current market benchmarks and with due consideration to law and corporate governance principles (as applicable)

Remuneration of the KMP / Senior Management consists of fixed and variable pay. Changes in either would be based on the annual appraisal of the KMP / Senior Management on a detailed performance evaluation of their Key Result Areas (KRAs) & Key Performance Indicators (KPIs)

The fixed pay comprises of various components like basic salary, perquisites and retirement benefits. The entitlement and eligibility for each of these would be in line with Avendus Group compensation philosophy and applicable law.

The variable pay component is linked to the financial performance of the Avendus Group, achievement of targets set for business of the Company and the individual performance and that of the department / team as applicable. Variable pay includes performance linked bonuses and ESOPs for eligible employees. Performance based pay / bonuses are linked to well defined Key Result Areas (KRAs) & Key Performance Indicators (KPIs) defined at the beginning of the financial year. The ESOPs granted, vest based on time and on performance criteria with larger portion of the ESOPs vesting towards the back end of the overall vesting period. All of the above subject approval of the NRC.

The timing and other conditions related to variable pay will be recommended by the NRC and approved by the Board of Directors.

KMP / Senior Managements may be eligible to receive Assured/Joining Bonuses at the time of joining. Such bonuses are not considered as a part of fixed pay or variable pay.

**Annual Performance Linked Bonus** : Individual bonus allocation takes performance ratings and



performance against various set of objectives mentioned below into consideration:

- a. In the beginning of the year the Company sets the organization performance objectives based on qualitative and quantitative measures.
- b. These objectives are reviewed periodically to ensure they remain consistent with the Company's priorities and the changing nature of the Company's business.
- c. These objectives form part of the performance targets (Key Result Areas (KRAs) & Key Performance Indicators (KPIs) for the KMP / Senior Management KRAs and KPIs for employees from partner / control functions are structured based on their individual roles and objectives.
- d. Performance against these objectives is reviewed annually by the Nomination & Remuneration Committee / Board and is reflected in the Performance review.

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 NRC, may be deferred. Deferral period for such an arrangement shall be decided by the NRC from time to time.

Malus and Clawback:

Malus & Clawback clauses shall be applied basis informed judgement of the NRC.

The Malus and Clawback shall be applicable to variable pay and shall be actioned and reviewed by NRC in the event of any/some/all of the following conditions:

- i. employee convicted of a felony
- ii. employee wilfully engages in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company or its subsidiaries or affiliates
- iii. employee in material breach of HR policies, Code of Conduct & Ethics Policy published by the company from time to time
- iv. employee has wilfully and continually failed to perform the employee's duties with the Company, its subsidiaries or affiliates following written notice specifically identifying the nature of such non-performance and demanding specific performance
- v. employee misconduct in any year
- vi. subdued or negative financial performance of the Company and/or the relevant line of business

Bonafide errors of judgment may not be subject to Malus provisions. The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact. Malus and Clawback period shall be for 2 years from the date of pay-out or reward.

**D. Remuneration for Employees of the Company**

The Company adopts a total compensation philosophy in rewarding employees. Total compensation comprises of Fixed and Variable Pay. Fixed pay consists of comprises of various components like basic salary, perquisites and retirement benefits. Variable pay includes performance bonuses and ESOP's for eligible employees.

The level of total compensation is designed to be appropriate to attract, retain and motivate employees to contribute their best. In determining the total compensation of employees, the Company takes into account the role and its responsibilities, the individuals' and teams' performance, and the Company's performance, as well as market factors. The Company's remuneration strategy is market-driven and aims at attracting and retaining the best talent.

Factors such as profitability and achievement of key performance indicators are taken into consideration, in determining the bonus pool for the Company and its business units. Individual bonus allocation is based on performance against various set of pre-defined objectives (Key Result Areas (KRAs) & Key Performance Indicators (KPIs)) determined at the start of the year. KRAs and KPIs for employees from partner / control functions are structured based on their individual roles and objectives.

The strategy is in consonance with the existing industry practice and is directed towards rewarding performance, based on review of achievements, on a periodic basis.

**7. DEVIATIONS FROM THE POLICY**

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

**8. DISCLOSURES IN THE BOARD REPORT**

The disclosures w.r.t remuneration of Directors, KMP, Senior Management and other employees shall be made in the Board Report as may be applicable and required under the relevant provisions of the Companies Act, 2013, the rules made there under and SEBI Listing Regulations. .

**9. POLICY REVIEW AND AMENDMENTS**

This Policy may be reviewed annually by the Board of the Company on the recommendation of the Nomination & Remuneration Committee of the Board.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or SEBI Listing

Regulations, RBI Guidelines 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 or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This Policy may be amended or substituted by the NRC or by the Board as and when required where there are any statutory changes necessitating the change in the policy.

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