

ASIRVAD MICRO FINANCE LIMITED

NOMINATION & REMUNERATION POLICY

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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 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 Director, 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.

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. 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.

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.
- 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**

- The remuneration for the KMP, Senior Management and Employees of the Company would be guided by the Industry Standard and internal policy of the Company. The remuneration structure is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, PF etc. The variable component comprises the annual performance of the Individual employee. In addition to this, the Company also has an Employee Stock Option Scheme (ESOS), pursuant to which, equity shares of the Company may be offered and allotted to the employees identified by the Committee.
- “Senior management” shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.
- Internally, performance ratings of all Employees would be spread across a normal distribution curve. The rating obtained by an employee will be used as an input to determine variable and merit pay increases. Variable and merit pay increases will be calculated using a combination of individual performance and organizational performance. Compensation can also be determined based on identified skill sets critical to the success of our organization. It is determined as per management’s review of market demand and supply, Industry benchmarks etc.

Membership & Quorum:

The Committee shall consist of minimum of 3 Non-Executive Directors, majority of them being independent. The quorum of the Committee shall be one-third of its total strength or two members whichever is higher including at least one independent director in attendance.

Chairperson:

1. The Chairperson of the Committee shall be appointed by the Board. In case of absence of Chairperson, the members of the Committee shall elect among them to act as Chairperson;
2. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairperson of the Committee;
3. 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

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.

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.