

ASIRVAD MICRO FINANCE LIMITED

NOMINATION & REMUNERATION POLICY

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Recommended by	Managing Director, Nomination and Remuneration Committee
Approved by	Board of Directors

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, 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.
- 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.

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. 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 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

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 Pommel 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.

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.
- 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 which 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 fun. Joining / sign-on bonus for new KMP / Senior management hiring may not be part of fixed pay.

5.2 Variable Pay (wherever applicable) will be:

- a) Annual component - based on individual performance against the Key Performance Indicators (KPIs) agreed and also to include the overall company performance. If variable pay is applicable to any employee, the KPIs will be set by the NRC in respect of Wholetime Directors. KPIs in respect of KMPs and SMPs other than whole time Directors who are subject to variable pay shall be fixed by MD &CEO in consultation with NRC
- b) Deferred compensation - in the form of Long-Term benefits in cash or otherwise as decided by the Management.

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
- d) 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.
 - NRC shall also determine representative set of situations for invoking the malus / claw back arrangements.

7. Malus Clause/ Clawback:

- a) Any deferred compensation will be subject to malus/clawback.
- b) arrangements in the event of occurring of agreed events during the period for which the conditions will be applicable. Such conditions may be fixed by the NRC in consultation with the Board.
- c) the terms of appointment of KMPs, and Senior Management of the Company shall contain suitable clause on malus/clawback, as recommended by the NRC and approved by the Board.

8. 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.

9. Limitation

In the event of any conflict between the provisions of this Policy, SEBI Listing Regulations/ the Act, and rules thereunder, RBI Guidelines or any other statutory enactments, the SEBI Listing Regulations /the Act, and rules thereunder, RBI Guidelines or any other statutory enactments shall prevail over this Policy.