

# Nomination and Remuneration Policy

Version 5.0



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**DOCUMENT OWNER, VERSION CONTROL & REVIEW PROCESS**

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## I. PREAMBLE

**Annapurna Finance Private Limited** 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 well-articulated 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 Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“SEBI Regulations”) read with Part – D of Schedule II to the said Regulations, which is updated as and when required.

The Policy is further encapsulated the changes brought down by the RBI Circular RBI/2022-2023/36 DOR.GOV.REC.No.29/18.10.002/2022-23 dated April 29, 2022, a revised Scale Based Regulatory (SBR) framework vide circular RBI/2021-22/112 DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 (collectively referred as “RBI Circulars”) and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023, as amended from time to time and other recent developments in SEBI Regulations.

## II. OBJECTIVE

The Key Objectives of the Policy shall be :

- a. To guide the Board in relation to appointment and removal of Directors, KMP/SMP.
- b. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation.
- c. To formulate the criteria for determining qualifications, competencies, positive attributes, and independence for appointment of a Director, KMP/SMP.

- d. To provide reasonable, adequate, and more aligned compensation packages to the Directors, SMP/KMP in order to ensure no issues arise out of excessive risk taking caused by misaligned compensation packages and ensure that the compensation is aligned to risk and responsibilities entrusted to the Directors, KMP/SMP demonstrating a clear relationship between compensation and performance and also avoid any excess overboard of compensation resulting risk of profit drainage.
- e. To provide to KMP/SMP reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- f. To provide just and adequate compensation to retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- g. To ensure that all the statutory mandates issued under applicable law and the rules and directions issued by various regulators including the RBI are complied with.
- h. To develop a succession plan for the Board and for the Senior Management and to regularly review the plan.

### III. SCOPE:

Just as profits drive business, incentives drive the managers of business. While it is important to incentivize the workforce performing the challenging role in managing business or activities of a company, it is equally important not to go overboard with the perks and the pay and allow unnecessary profit squandering and therefore, to combat such issues, the Policy widely covers the areas to recognize and measure the fierce competitive corporate atmosphere, and assure that modes of compensation should ensure continued indulgence of the executive towards performance goals.

### IV. DEFINITIONS

In this Policy, unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them as under:

- a. **Act** shall mean the Companies Act, 2013 and the Rules framed thereunder including amendments, re-enactments, modifications, notifications, circulars, and orders from time to time.
- b. **AFPL** shall mean Annapurna Finance Private Limited
- c. **Board of Directors** or **Board** or **BOD** shall mean Board of Directors of the Company.
- d. **Board Diversity:** The BOD shall consist of a diverse group of individuals having skills and knowledge of business modality, who can bring fresh perspective from outside of the company and industry. The diversity should be in relation to gender,

- thought, experience, knowledge and perspectives.
- e. **Company**” shall mean Annapurna Finance Private Limited.
  - f. **Claw-back** 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.
  - g. **Independent Director**: ‘Independent director’ means a non-executive director of the company who meets the criteria of independence specified under Section 149(6) of the Act, and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
  - h. **Key Managerial Personnel (KMP) means:**
    - i. Chief Executive Officer or Managing Director or Manager
    - ii. Executive Director.
    - iii. Chief Financial Officer.
    - iv. Chief Operating Officer
    - v. Company Secretary.
    - vi. 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
    - vii. Such other officer as may be prescribed, from time to time.
  - i. **Malus** arrangement permits the Company to prevent the vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.
  - j. **Master Directions or RBI Directions or SBR Direction** shall mean Master Direction – “Reserve Bank of India (Non- Banking Financial Company – Scale Based Regulation) Directions, 2023” dated October 19, 2023 (“RBISBR Directions”) including amendments or updates if any or any other Directions issued by RBI and applicable to company being NBFC-MFI.
  - k. **Nomination and Remuneration Committee (NRC)**: Means a Committee of the Board of Directors of the Company constituted under the provisions of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and applicable RBI guidelines, as may be amended from time to time
  - l. **NBFC-ML** shall mean Non-Banking Financial Company -Middle Layer
  - m. **NBFC-UL** shall mean Non-Banking Financial Company – Upper Layer

- n. **Retention period:** A period of time after the vesting of instruments that have been awarded as variable pay during which they cannot be sold or accessed.
- o. **Risk Management Committee:** Means a Committee of the Board of Directors of the Company constituted under the provisions of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and applicable RBI guidelines, as may be amended from time to time.
- p. **SEBI Regulations** shall mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- q. **Senior Management or Senior Management Personnel (SMP)** shall mean the officers and personnel of the Company who are members of its core management team, excluding the Board of Directors, and shall also comprise all KMPs, Credit Heads, Audit Heads, Head Compliance, Finance Head, HR head, Business Head, Accounts/Treasury Head, CRO, CTO & CIO and such other vertical head as decided by the management.

Words importing the singular number shall include the plural number and words importing the masculine gender shall, where the context admits, include the feminine and neutral gender.

Words and expressions used but not defined in this Policy shall have the same meaning as ascribed to them in the Act / Regulations, and the rules made thereunder, as the case may be or in any subsequent amendment thereto. This Policy shall be subject to such statutory clarifications, informal guidance and FAQs as may be issued by Regulatory Authority from time to time.

## V. COMPENSATION GOVERNANCE

**1. Constitution of Nomination and Remuneration Committee:** The composition of the Committee shall follow the provisions of Section 178 of the Act and Regulation 19 of the SEBI Regulations. The Committee shall comprise of at least three Non-executive Directors, with at least 2/3<sup>rd</sup> forming Independent Directors.

The Chairperson of the NRC will be an Independent Director and the Chairperson of the Board (executive or non-executive) may be a member of the NRC but will not be chairperson of the Committee.

The Company Secretary of the Company shall act as Secretary of the Committee.

**2. Meeting requirement of the Nomination and Remuneration Committee:**

- The meeting of the Committee shall be held at such regular intervals as may be required but at least once in a year.
- Minimum two members or one third members, whichever is greater, out of which at least one Independent Director shall constitute a quorum for the Committee meeting.
- A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

### **3. Role & Function of the Nomination and Remuneration Committee:**

In terms of Section 178 of the Act and rules made thereunder, and Regulation 19 of the SEBI Regulations read with Schedule II to the said Regulations, NRC shall :

- Determine the appropriate size, diversity and composition of the Board.
- Identify persons who are qualified to become directors and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this Policy.
- Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- Recommend to the Board, all remuneration, in whatever form, payable to the Directors, KMP and Senior Management.
- In addition to the above, NRC shall further oversee the framing, review and implementation of the Compensation Policy, as a part of the Nomination and Remuneration Policy, which should have approval of the Board.

Further, the NRC to ensure that compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).

- NRC may further work in close coordination with Risk Management Committee of the company (RMC) in order to achieve effective alignment between compensation and risk.
- The NRC shall assess the eligibility on the basis of qualification, experience and expertise that can add value to the growth of the Company, knowledge on financial sector, age, and integrity, compliance with Fit and Proper norms for appointment as Directors on the Board, KMP or SMP. Fit and proper status shall also be ensured by the Committee for the existing directors on a continuing basis.

### Specific role for Independent Directors:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Formulate the criteria and specify the manner for effective evaluation of performance of independent directors and the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - use the services of an external agencies, if required;
  - consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - consider the time commitments of the candidates.
- The appointment of independent directors of the company shall be approved at the meeting of the shareholders.

The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.

The appointment of independent directors shall be formalized through a letter of appointment, which shall set out the points specified under Schedule IV(IV)(4) to the Act.

Further, recommend to the Board whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

- To develop a succession plan for the Board and for the Senior Management and to regularly review the plan.

### 3. Performance Assessment:

- a. The NRC shall establish Key Performance Indicators (KPI) modules with calibration of points for each area of function to assess the performance of each



member of KMP for the purpose of providing equitable payment of variable compensation and such modules will be approved by the Board. Further KMP shall establish Key Performance Indicators (KPI) modules for SMP.

- b. The set of KPIs for each function shall account for risks and responsibilities, timeliness of individual, line of business as well as achievements of corporate goals, where the personal risk and responsibilities will be attributed weightage at least 60%, the performance of line of business 25% and corporate performance 15%. In case of non- business areas such as internal audit, risk management, compliance, credit monitoring, the personal performance as well as role played by him in attending to issues and problems and their resolution will be attributed weightage 60% and the corporate performance 40%.
- c. The NRC shall assess the performance of Managing Director, Whole-time Director and Manager (if any) and the assessment shall be approved/ amended by the Board.
- d. The NRC shall assess the performance of CFO, COO and Company Secretary, which shall be reviewed by Board.

In addition to the NRC, the performance review of the Assurance Function shall be conducted by the respective Committee or Board before approval by the Board. Specifically, the performance of the Head of Internal Audit shall be reviewed by the Audit Committee, the performance of the Chief Risk Officer shall be reviewed by the Risk Management Committee, and the performance of the Chief Compliance Officer shall be reviewed by the Board.

## VI. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

### A. General appointment criteria and qualifications

- a. A person in order to be appointed as a Director, KMP/SMP should possess adequate qualification, expertise and experience. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, and KMP and recommend the person for such appointment to the Board. Personnel at Senior Management level, for their appointment, shall either be recommended by the Director or KMP of the Company.
- b. A person shall not be appointed or continue the directorship as a non-executive director who has attained the age of seventy years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.
- c. The approval of shareholders for appointment or re-appointment of a person on the Board of Directors shall be taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

- d. 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.
- e. 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
- f. A person may be appointed or employed as a managing director of the Company, if he is the managing director or manager of one, and of not more than one, other company and such appointment or employment is made or approved by a resolution passed at a meeting of the Board with the consent of all the directors present at the meeting and of which meeting, and of the resolution to be moved thereat, specific notice has been given to all the directors.
- g. If the office of any whole-time key managerial personnel is vacated, the resulting vacancy shall be filled-up by the Board at a meeting of the Board within a period of six months from the date of such vacancy.

## **B. 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 Regulation 16(1)(b) of the Listing Regulations 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 relevant regulations of the SEBI 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 NBFC-UL) 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 and the SEBI Regulations.

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 Bank 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.

The Company will collect as much as documentary evidence in respect of KYC, qualification normal and technical, CIBIL and other CIC scores, search in RBI defaulter lists, List of companies where the Director or any of his/her relative is interested, the financial conduct of the associated companies, Bank account statements, past appointments in various organizations and institutions on different designations, records of performance etc. These are indicative and not exhaustive. Based on declaration and nature of applicable criterion the need of evidence will be ensured.

**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.

## **VII. 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 Whole time Director:**

- i. The remuneration / compensation / commission etc. to the 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 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 Whole-time Director.

Where any insurance is taken by the Company on behalf of its 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:**

- a. 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.
- b. An Independent Director shall not be entitled to any stock option, if any, of the Company.
- c. 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. Any kind of retention incentive shall be part of fixed compensation and performance incentive/bonus will be considered as variable compensation.
- iii. 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.
- iv. 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.
- v. For the SMP, the maximum variable compensation through all modes of vesting shall not be less than 20% or more than 30% of total compensation offered at any stage for business functions and for non-business functions i.e Compliance, Audit & Risk, the maximum variable will be 20%.
- vi. 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.
- vii. 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.
- viii. 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 or FBT by the company.
- ix. 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.
- x. 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.
- xi. AFPL shall defer the payment of 20% of variable compensation/incentive payable to SMP for a period of 2 years from the end of the financial year

- (Deferment Period). The Balance compensation/incentive amount i.e. 80% will be paid out, as of the due date, while the remaining 20% will be retained. The retained portion will be released after the deferment period.
- xii. Further the amount of 20% of variable compensation/incentive payable shall be invested in Bank/FI in form of FD (Fixed Deposit) and will be payable to the respective KMP/SMP at the end of 2 years including interest earned on the invested amount.
  - xiii. 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.
  - xiv. Stock Incentive:  
The stock incentives are governed by the Annapurna Stock option Scheme-2017 approved by the shareholders or any other plan as may be amended. The stock option plan including eligibility, grant, redemptions shall be governed by the Company's Stock option schemes
  - xv. The Non-executive Directors are not eligible for any mode of Stock incentives
  - xvi. The performance of other departmental heads and members of core management shall be assessed by the Executive Director 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

## VIII. MALUS AND CLAW BACK PROVISIONS

1. Malus: The company shall be entitled to hold back the deferred variable pay/incentives or stocks issued beyond the deferral / retention period as referred in clause c(x) for following reasons or events during the deferral or stock retention period
  - a. If there is a negative growth of the company with loss occurrence,
  - b. The concerned KMP /SMP has resigned or terminated from service
  - c. The concerned KMP/SMP is under contemplatory or pending disciplinary action
  - d. The concerned KMP/SMP has committed or omitted acts resulting in heavy financial loss to the Company or resulting in risk increase in future
  - e. In the course of employment, some dues (other than loans and advances sanctioned) on the part of concerned KMP / SMP crystalized may be due to excess unauthorized payments, default of commitments etc



- f. The above hold back shall not apply in case of downturn of performance due to grave external factors such as pandemic, or any industry wise crisis, economic downturn of the county, economic factors severely affecting the client base etc
  - g. The hold back or 'malus' clause shall be incorporated in the letter of appointment/ employment.
- 2. Waiver of Malus: When the 'hold back' of incentives is due to reasons of performance not due to any misconduct or causing loss to the Company, the Board in respect of MD, ED, CFO & COO and the MD in respect of other departmental heads may, on the recommendations of NRC with record of sufficient reasons, allow the release of the held back amount after the deferral period, provided the approval for MD and ED is ratified in Board Meeting
- 3. Release of held back incentive: The held back incentive may be released in the following cases, subject to approval of Board or MD as the case may be:
  - a. The held back incentives due to disciplinary action shall be released on final outcome.
  - b. If the hold back is due to omission or commission of the KMP / SMP, causing any loss to the Company, then the release of held back amount shall be after due compensation of loss to the Company through insurance claim and/or by SMP or when statutory auditors confirm no financial loss to the Company due to the said omission or commission
  - c. In case of increased risk due to acts of KMP/SMP, the release of held back amount shall be after full mitigation of risk
  - d. The held amounts, due to performance standards, shall be released on improvement of performance to at least 60% of the standard relating to the FY which the held back amount pertains to
  - e. In the event of resignation / exit from the Company of CFO, CS and any SMP, the 'held back' amount due to lowering performance standards shall be released on due approval by NRC subject to post approval ratification by the Board. However the stock option within retention period will be confiscated for which a claw back agreement shall be taken care of in the employment agreement. Amounts held back for other reasons shall be subjected to treatments as above
  - f. However, in the event of resignation / exit of SMP including CFO and CS within any minimum contract period agreed upon, all cash incentives held back shall be forfeited, in addition to other contractual recoveries due, through a Claw Back provision as entered through the necessary engagement agreement
- 4. Claw back option: Suitable Claw back arrangements in respect of cash incentive shall be made as above through employment agreements

## IX PRINCIPLE GOVERNING COMPENSATION

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

2. **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. The differences between any two department heads may move upside down with new assignments.
3. **Escalation of compensation:** The compensation for the KMP and SMP may be with an 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.

## X. SPECIAL APPROVAL

Requisite majority of the investors in terms of the Article 13 of the Articles of Association of the Company shall also be required to be obtained for the appointment, removal, change of salary etc., triggering the Article of the Company

## XI. 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.

## XII. MONITORING AND EVALUATION

The NRC shall place an annual review of total remuneration expenditure impacting profitability with a comparative position with that of other employees for Board review and necessary guidance.

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. The Board shall at least annually review the policy in case of no change or recommendation from the NRC Committee.

## XIII. 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.

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