



**SBFC FINANCE LIMITED
NOMINATION AND REMUNERATION POLICY**

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1. Preface

This Nomination and Remuneration Policy (the “**Policy**”) has been formulated in compliance with Section 178 of the Companies Act, 2013 (the “**Companies Act**”), read with applicable rules notified thereunder and in compliance of Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**SEBI LODR Regulations**”). This Policy is applicable to the Board of Directors (the “**Board**”) and the Senior Management Personnel of SBFC Finance Limited (the “**Company**”).

Accordingly, the Board adopted the Policy at its meeting held on 12th July, 2023.

2. Objective and Purpose

The objective of this Policy is to serve as a guiding charter to appoint qualified persons as directors on the board of directors of the Company (“**Directors**”), key managerial personnel (the “**KMP**”), senior management personnel (the “**SMP**”) in senior management positions, to recommend the remuneration to be paid to them and to evaluate their performance. This Policy provides a framework to:

- a) Identify persons who are qualified to become Directors (executive and non-executive) and who may be appointed in senior management positions in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
- b) Formulate the criteria for determining qualifications, positive attributes and independence of directors;
- c) Ensure that (i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully; (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and (iii) remuneration to directors, KMP and SMP 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;
- d) Formulate the criteria for evaluation of performance of independent directors and the Board;
- a) Such other key issues/matters as may be referred by the Board or as may be necessary in view of the provision of the Companies Act 2013 and Rules thereunder and the SEBI Listing Regulations, whenever applicable.

1. Non-Executive Directors

(a) Criteria for Selection/ Appointment

- i. The Non-Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management.
- ii. In case of appointment of Independent Directors, the Nomination and Remuneration Committee of the Board (the “**NRC**”) shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its functions and duties effectively.

- iii. The NRC shall ensure that the candidates identified for appointment as Directors are not disqualified for appointment under Section 164 of the Companies Act.
- iv. The NRC shall consider the following attributes/ criteria for recommendation of candidature for appointment as a Director:
 - a. diversity of the Board;
 - b. integrity, personal, professional or business standing;
 - c. qualification, expertise and experience; and
 - d. other positive attributes of the candidate.
- v. In case of re-appointment of Non-Executive Directors, the Board shall take into consideration the performance evaluation of the Directors, engagement level and contribution in the deliberations of the Board.

(b) Remuneration

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the meeting of the Board and its committees and by way of commission as detailed hereunder:

- i. A Non-Executive Director shall be entitled to receive sitting fees for each meeting of the Board or its committees attended, of such sum as may be approved by the Board, within the overall limits prescribed under the Companies Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.
- ii. A Non-Executive Director will also be entitled to receive commission, on an annual basis, of such sum as may be approved by the Board, on the recommendation of the NRC, based on the number of the meetings attended.
- iii. The NRC may recommend to the Board, a higher commission for the Chairman of the Board taking into consideration the overall responsibility.
- iv. In determining the quantum of commission payable to the Directors, the NRC shall make its recommendation after taking into consideration the overall performance of the Company and the responsibilities required to be shouldered by the Directors.
- v. The total remuneration payable to the Non-Executive Directors may exceed one per cent of the net profits of the Company, subject to approval by the shareholders of the Company (the “Shareholders”) under Section 197 of Companies Act.
- vi. The Commission shall be payable on pro-rata basis to those Non-Executive Directors who occupy the office for a part of the year or the number of meetings attended during the year.
- vii. The Independent Directors shall not be entitled to participate in employee stock options scheme of the Company, if any.

2. Managing Director/ Chief Executive Officer/ Executive Director

(a) Criteria for Selection/ Appointment

For the purpose of selection of the Managing Director (“MD”)/Chief Executive Officer (“CEO”)/ Executive Director (“ED”), the NRC shall identify a person of integrity who possesses relevant expertise, experience and leadership qualities required for the position and shall take into consideration the human resource policy of the Company.

The Company shall appoint or re-appoint any person as its Executive Chairman, MD or ED 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.

The Committee will also ensure that the incumbent fulfils such other criteria with regard to age and qualifications as laid down under the Companies Act or other applicable laws.

(b) Remuneration Policy for the MD, CEO and ED

- i. At the time of appointment or re-appointment, the MD/ CEO/ ED shall be paid such remuneration as may be mutually agreed between the Company (which includes the NRC and the Board) and the MD/ CEO/ ED within the overall limits prescribed under the Companies Act.
- ii. The remuneration shall be subject to the approval of the shareholders in the General Meeting.
- iii. The remuneration of the MD /CEO/ ED is broadly divided into fixed and variable components. The fixed component shall comprise salary, allowances, perquisites, amenities and retirement benefits. The variable component shall comprise performance bonus/ commission as per the terms of appointment.
- iv. In determining the remuneration, the NRC shall consider the following:
 - industry benchmarks of remuneration;
 - the relationship of remuneration and performance benchmarks is clear;
 - company performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the key performance indicators;
 - balance between fixed and variable components reflecting short and long term performance objectives of the Company;
 - responsibilities required to be shouldered by the MD and ED and the industry benchmarks and the current trends;
 - The NRC may revise the remuneration/ vary the terms of remuneration based on a request received from MD/ Whole Time Director or the prevailing human resource policies of the Company, within the overall remuneration approved by the Board and the Shareholders.

3. Key Management Personnel

(a) Criteria for Selection/ Appointment

A person should possess adequate skills, qualification, expertise and experience for the position he/ she is considered for appointment, as per the Company's requirements and applicable laws.

(b) Remuneration Policy for Senior Management Employees

- i. "Key Management Personnel" means the Key Managerial Personnel as defined under Section 2(51) of the Companies Act (the "KMP").
- ii. In determining the remuneration of the KMP, the NRC shall consider the following:
 - industry benchmarks of remuneration;
 - the relationship between remuneration and performance benchmarks is clear;
 - balance between fixed and variable components reflecting short and long term performance objectives of the Company;
 - the remuneration is divided into two components i.e., fixed components of salary, perquisites and retirement benefits and variable component of

performance based incentives;

- the remuneration including the annual increment and performance incentive is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement and individual performance of the KMP vis-à-vis the key performance indicators; and
 - certain defined quantitative and qualitative parameters as may be decided by the Board, from time to time and the individual's performance vis-à-vis the key performance indicators.
- iii. The MD/ CEO shall carry out the individual's performance review based on the appraisal matrix after taking into consideration the appraisal scorecard and the factors mentioned hereinabove.
- iv. The MD/ CEO will present a summary of the quantitative assessment of each of the KMP in terms of their leadership style, individual growth needs and objectives sets for the forthcoming years.

4. General

In case of any subsequent changes in the provisions of the Companies Act, or any other applicable regulations which make any of these clauses/ provisions in this Policy inconsistent with the Regulations, the provisions of the Regulations shall prevail.

5. Review

The NRC shall monitor and review the Policy as and when it deems necessary and recommend the necessary changes to the Board for its approval.

The Board shall have the power to amend any of the provisions of the Policy, substitute any of the provisions with a new provision or replace the Policy entirely with a new Policy.