



NOMINATION AND REMUNERATION POLICY

1. Introduction

In terms of Section 178 of the Companies Act, 2013 as amended from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management and other employees of the Company has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors. This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel, Senior Management and other employees.

1.1. Objective of the Policy

The policy is framed with the objective(s):

- i. That 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. That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- iii. That the remuneration to Directors, Key Managerial Personnel (KMP), and other employees of the Company 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
- iv. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-executive) and persons who may be appointed in Senior Management, Key Managerial positions and to determine their remuneration.
- v. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry.
- vi. To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company's operations; and
- vii. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

1.2. Effective Date: This policy is in continuation to the original policy which is in effect from Financial Year 2017-18

1.3. Definitions

In this Policy unless the context otherwise requires:

- i. 'Act' means Companies Act, 2013 and rules thereunder
- ii. 'Board of Directors' or 'Board', in relation to the Company, means the collective body of the directors of the Company
- iii. Company means SBFC Finance Private Limited (Erstwhile Small Business FinCredit India Private Limited)
- iv. 'Directors' means director appointed to the Board of the Company
- v. 'Independent Director' means a director referred to in Section 149 (6) of the Companies Act, 2013
- vi. 'Key Managerial Personnel' (KMP) in relation to Company means:
 - Chief Executive Officer and / or Managing Director or manager
 - Whole-time Director
 - Chief Financial Officer
 - Company Secretary
 - 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
 - Such other officer as may be prescribed
- vii. 'Ministry' means the Ministry of Corporate Affairs
- viii. 'Regulations' refers to and comprise of Companies Act, 2013, The Companies (Meeting of Board and its Powers) Rules, 2014, The Companies (Appointment and Qualification of Directors) Rules, 2014, The Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014, and such other rules and provisions as applicable to the matters dealt in by this Policy.

'Senior Management Personnel' for this purpose shall mean employees of the company who are members of its core management team excluding Board of Directors. It would comprise all members of management one level below the executive director(s).

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

2. Applicability

This Policy is applicable to:

- Directors viz. Executive, Non-executive and Independent
- Key Managerial Personnel
- Senior Management Personnel

3. Appointment of Director, KMPs and Senior Management

- 3.1.** 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.
- 3.2.** A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- 3.3.** Appointment of Independent Directors is subject compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV and rules thereunder.
- 3.4.** The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years

4. Term / Tenure

4.1. Managing Director / Whole-time Director

The Company shall appoint or re-appoint any person as its Executive Director, 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.

4.2. Independent Director

Subject to the provisions of the applicable Regulations, 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(s) of such appointment in the Board's report.

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.

5. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals (yearly).

6. Disqualifications for Appointment of Directors

6.1. Pursuant to section 164 of the Companies Act, 2013, a person shall not be eligible for appointment as a director of a company if:

- a. He is of unsound mind and stands so declared by a competent court;
- b. He is an undischarged insolvent;
- c. He has applied to be adjudicated as an insolvent and his application is pending;
- d. He has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

- e. An order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;
- f. He has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- g. He has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or
- h. He has not complied with sub-section (3) of section 152;
- i. He has not complied with the provisions of sub-section (1) of section 165.

6.2. No person who is or has been a director of a company which:

- i. Has not filed financial statements or annual returns for any continuous period of three financial years;

or

- ii. Has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a

director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so

6.3 As per the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, Every individual – (a) who has been appointed as an independent director in a company, on the date of commencement of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, shall within a period of three months from such commencement; or (b) who intends to get appointed as an independent director in a company after such commencement, shall before such appointment, shall apply online to the Indian Institute of Corporate Affairs at Manesar for inclusion of his name in the data bank.

Every independent director shall submit a declaration of compliance of sub-rule (1) and sub-rule (2) of Rule 6 of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 to the Board, alongwith the declaration required under sub-section (7) of section 149 of the Act. Every individual whose name is so included in the data bank under sub-rule (1) and wherever applicable shall pass an online proficiency self-assessment test conducted by the institute within a period of one year from the date of inclusion of his name in the data bank, failing which, his name shall stand removed from the databank of the Indian Institute of Corporate Affairs at Manesar.

7. Removal

The Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions of the Companies Act, 2013, and all other applicable Acts, Rules and Regulations, if any.

8. Retirement

The Directors shall retire as per the applicable provisions of Companies Act, 2013 and Rules made thereunder and the KMPs and Senior Management Personnel shall retire as per the applicable provisions of the Regulations and the prevailing policy of the Company which currently is 60 years. 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.

9. Matters relating to the remuneration, perquisites for the Whole-time Director, KMP and Senior Management Personnel

9.1. The remuneration / compensation / profit-linked commission etc. to the Whole-time Director, Directors and Independent Directors will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / profit-linked commission etc. shall be in accordance with the provisions of the Companies Act and the Rules issued thereunder.

9.2. As regards the remuneration of KMPs, Chairman & Managing Director/Senior Management Personnel, the determination shall be effected by way of annual presentation before the Committee by Chief Human Resource Officer and / or by the Chief Executive Officer, which would have requisite details. The Committee shall peruse the same and approve accordingly.

9.3. Organisation-wide Increments to the existing remuneration / compensation structure shall be approved by the Committee. Increments to the Whole Time Director(s) should be within the slabs approved by the Shareholders. Increments will ideally be effective from 1st April for employees who have put in atleast six months in the previous financial year, unless otherwise decided.

9.4. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary 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.

10. Remuneration to Whole-time / Executive / Managing Director

10.1. Remuneration

The Whole-time Director shall be eligible for remuneration as may be approved by the Shareholders of the Company on the recommendation of the Committee and the Board of Directors. The break-up of the pay scale, performance bonus and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and shall be within the overall remuneration approved by the shareholders and Central Government, wherever required.

10.2. Minimum Remuneration

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of the Companies Act, 2013 and if it is not able to comply with such provisions, then with the previous approval of the Central Government.

10.3. Provisions for excess remuneration

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

11. Remuneration to Non-executive / Independent Director

11.1. Sitting Fees

The Non-executive shall be paid sitting fees as per the applicable regulations. The quantum of sitting fees will be determined as per the recommendation of Nomination and Remuneration Committee and approved by the Board of Directors of the Company.

12. Remuneration to KMPs, Senior Management Personnel and Other Employees

The KMPs, Senior Management Personnel of the Company shall be paid monthly remuneration as per the Company's compensation guidelines and / or as may approved by the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be as per the Company's schemes and applicability.

Before approving the increment and bonus HR / or the Chief Executive Officer of the Company, will make a detailed presentation(s) before the Committee, setting out the proposed increment and performance bonus payouts for the next financial year. The Committee shall peruse and approve the same unless required under relevant regulations, to refer the same to the Board of Directors and / or Shareholders of the Company.

This Remuneration Policy shall apply to all future / continuing employment / engagement(s) with the Company. In other respects, the Remuneration Policy shall be of guidance for the Board. Any departure from the policy shall be recorded and reasoned in the Committee and Board meeting minutes.

The remuneration for KMPs and Senior Managerial Personnel and other employees of the Company shall be approved by the Committee based on the org-wide recommendation / presentation by the Principal – HR and / or the Chief Executive Officer of the Company. In case any of the relevant regulations require that remuneration of KMPs or any other officer is to be specifically approved by the Committee and / or the Board of Directors then such approval will be accordingly procured.

13. Dissemination

The details of the Policy and the evaluation criteria as applicable shall be published on Company's website and accordingly disclosed in the Annual Report as part of Board's report therein.

14. Amendments to the Policy

The Board of Directors on its own and / or as per the recommendations of Nomination and Remuneration Committee can amend this Policy, as and when deemed fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.