

**NOMINATION AND
REMUNERATION POLICY
OF
FINOVA CAPITAL PRIVATE
LIMITED**



PREAMBLE

This NRC Policy provides the framework for remuneration of members of the Board of Directors, Key Managerial Personnel and Senior Management of Finova Capital Private Limited (herein after referred as **"Finova/ the Company"**). This NRC Policy is guided by the principles and objectives as enumerated in Section 178 of the Companies Act, 2013 (herein after referred as **"Act"**), and 'Fit and Proper' Criteria for directors of NBFCs as laid down in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, (as amended from time to time) (hereinafter referred as **"RBI Guidelines"**) to ensure reasonableness of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company.

PURPOSE

The objective of this policy is to lay down a framework in relation to appointment and remuneration of Directors, KMP, Senior Management Personnel and other employees and performance evaluation. The Key Objectives of this policy would be as follows:

- a. Ensure 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.
- b. Ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- c. Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of Directors before their appointment and on a continuing basis.
- d. To formulate criteria for evaluation of performance of the members of the Board including Independent Directors and provide necessary report to the Board for further evaluation of the Board.
- e. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- f. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- g. To determine whether to extend or continue the term of appointment of the Independent Director(s), on the basis of the report of performance evaluation of Independent Directors.

DEFINITIONS

- a. **"Act"** means the Companies Act, 2013 and Rules framed there under, as amended from time to time.
- b. **"Board"** means Board of Directors of the Company.
- c. **"Company"** means Finova Capital Private Limited
- d. **"Directors"** shall mean Directors of the Company.
- e. **"Key Managerial Personnel"** or **"KMP"** means:

In relation to a Company as defined sub-section 51 of Section 2 of the Companies Act, 2013, means and includes:

- i. The Chief Executive Officer or the Managing Director or the Manager;
- ii. Whole-time director;
- iii. Chief Financial Officer;
- iv. Company Secretary; and
- v. 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
- vi. such other officer as may be prescribed.

- f. **"Independent Director"** means a director referred to in Section 149(6) of the Act, and



Regulation 16 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

g. **“Senior Management”** shall derive the meaning from Section 178 of the Act as amended from time to time.

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

APPOINTMENT AND REMOVAL OF DIRECTORS, KMP AND SENIOR MANAGEMENT:

The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive / Non-Executive) and recommend to the Board, policies relating to the remuneration (payable in whatever form) of the Directors, Key Managerial Personnel, Senior Management and other employees.

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.

a. DIRECTORS

1. The Company will undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the board of directors of the Company, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria.
2. The Company will obtain the necessary information, declarations and undertakings from the proposed / existing director for the purpose of such due diligence in the format as prescribed in the RBI guidelines.
3. The Company will undertake the process of due diligence at the time of appointment of the director by scrutinizing the declarations received and at the time of renewal of appointment of any director.
4. The Company will obtain annually (as on 31st March) a simple declaration from each director that the information already provided by the director has not undergone change and where there is any change, the Company shall require such director to furnish the requisite details forthwith.
5. The board of directors of the Company will ensure in public interest that each of the nominated / elected directors executes a deed of covenants in the format as prescribed in the RBI guidelines.
6. The Company shall not appoint or continue the employment of any person as Managing Director / 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.

b. INDEPENDENT DIRECTOR

1. The candidate shall be evaluated based on the criteria provided under the applicable laws including Companies Act, 2013 read with Rules thereon and Listing Regulations. Each director



has an affirmative obligation to inform the Board of any change in circumstances that may put his/her independence at issue.

2. The Nomination and Remuneration Committee before appointment of an Independent Director 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.
3. The director's independence for the independent director will be determined by the Board on an annual basis upon the declarations made by such director as per the provisions of the Companies Act, 2013 read with Rules thereon and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
4. The Independent Director who intends to get appointed as an independent director in a company, shall before such appointment, apply online to the institute for inclusion of his name in the data bank for a period of one year or five years or for his life-time, and from time to time applies for its renewal till he continues to hold the office of an independent director in any company.
5. If any individual, including an individual not having DIN, may voluntarily apply to the institute for inclusion of his name in the data bank, shall clear an online proficiency self-assessment test covering Companies law, Securities law, Basic accountancy, and such other areas relevant to the functioning of an individual and should have mandatory registration with Indian Institute of Corporate Affairs ("IICA").

c. Key Managerial Personnel ("KMPs") and Senior Management Personnel ("SMPs")

1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as KMPs and recommend to the Board his / her appointment.
2. A person should possess adequate qualification, expertise and experience for the position for which he / she is being considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the position.

TENURE

a. Managing Director/Whole-time Director

The Company shall appoint or re-appoint any person as Managing Director or Whole time Director for a term not exceeding five years at a time in terms of applicable provisions of Companies Act, 2013. Further, no re-appointment shall be made earlier than one year before the expiry of term.

b. Independent Director

1. An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and shall be eligible for re-appointment on passing of a special resolution by the Company, recommendation of committee based on the report of performance evaluation of Independent director and disclosure of such appointment in the Board's report.
2. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of two consecutive terms of three years of ceasing to become an Independent Director. 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.



c. KMP

Upon recommendation of Nomination and Remuneration Committee and based on the criteria laid down by said committee for appointment of the KMPs maybe appointed for such period and on such term as may be approved by the Board or as per criteria approved by the board, respectively.

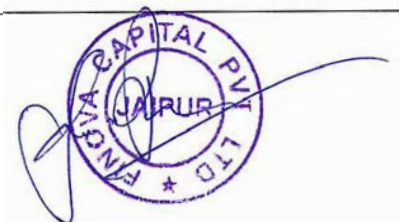
EVALUATION

The Committee shall specify the manner for effective evaluation of performance of 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.

The Evaluation process may be carried out as per the SEBI guidelines vide SEBI CIRCULAR NO. SEBI/HO/CFD/CMD/CIR/P/2017/004, Dated 5th January 2017 on Guidance Note on Board Evaluation or by such other procedure as the Committee may deem fit for evaluation process.

Below Matrix to be follow while performance evaluation of the Directors and the Board as a whole:

Matrix for The Evaluation of Board And The Directors	
1.	<p>Criteria for the Evaluation of a Board as a whole:</p> <ul style="list-style-type: none"> ❖ Board Composition & Quality; ❖ Board and Management Relations; ❖ Board Meeting & Procedures; ❖ Board Strategy and Risk Management; ❖ Grievance Redressal for Investors; ❖ Conflict of Interest; ❖ Stakeholder Value and responsibility; ❖ Corporate Cultures & Values; ❖ Review of Board Evaluation; ❖ Facilitation of Independent Directors;
2.	<p>Criteria for the Evaluation of Board Committee:</p> <ul style="list-style-type: none"> ❖ Structure of the Committee and meetings; ❖ Mandate & Composition; ❖ Effectiveness of the Committee; ❖ Independence of the Committee from the Board; ❖ Contribution to Decisions of the Board;
3.	<p>Criteria Executive Directors</p> <ul style="list-style-type: none"> ❖ Leadership ❖ Performance ❖ Value Creation ❖ Governance & Compliance
4.	<p>Criteria for Non- Executive Directors</p> <ul style="list-style-type: none"> ❖ Knowledge & Skill ❖ Diligence & Participation ❖ Leadership ❖ Managing Relationship



5.	<p>Criteria for Independent Directors</p> <ul style="list-style-type: none"> ❖ Independence ❖ Knowledge & Participation ❖ Commitment ❖ Integrity
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REMOVAL

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations or as per the employment agreement (if any) the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of the said Act, rules and regulations.

RETIREMENT

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing HR 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 necessary compliances.

REMUNERATION OF MANAGING DIRECTOR / WHOLE TIME DIRECTOR / NON-EXECUTIVE DIRECTOR / INDEPENDENT DIRECTOR (“COLLECTIVELY REFERRED AS DIRECTORS”)

The remuneration / compensation / commission etc. to the Managing Director / Whole-time Director, shall be recommended by the Nomination and Remuneration Committee to the Board for approval and further recommendation to the Shareholders for their approval, if required. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company in terms of the provisions of the Companies Act, 2013, and the rules and Schedule made thereunder, as applicable from time to time.

SITTING FEES

The Independent Directors 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 such amount as approved by the Board from time to time subject to the limits as prescribed under the Companies Act, 2013.

COMMISSION

The Directors may receive Commission/ Bonus/ Incentive or such other amount by whatever name called as may be approved by the Board of Directors from time to time on the basis of performance of the Company on recommendation of Nomination and Remuneration Committee.

REMUNERATION OF KEY MANAGERIAL PERSONNEL / SENIOR MANAGEMENT

Remuneration of KMPs (Other Than Managing Director / Whole Time Directors) i.e. Chief Financial Officer/ Chief Executive Officer / Company Secretary and Other Senior Management Personnel shall be recommended by the Committee and approved by the Board of Directors subject to approval of shareholders, wherever required.

FIT AND PROPER CRITERIA

The Nomination and Remuneration Committee shall undertake a process of Due Diligence based on the criteria of qualifications, technical expertise, track record, integrity etc. The basic objective of ascertaining the fit and proper criteria shall be to put in place an internal supervisory process on a continuing basis and to determine the suitability of the person for appointment / continuing



to hold appointment as a Director of the Board of the Company. The Candidate at the time of appointment and at the time of the renewal of Directorship shall fill in such form as prescribed by the Reserve Bank of India and/ or any other regulatory authority to enable the Committee undertake such exercise of ensuring the 'Fit and Proper Criteria'. Further, the Company has adopted the separate policy on Fit and Proper criteria as prescribed under RBI Guidelines which is to be adhered at the time of appointment and/or re-appointment.

The Committee shall undertake such Due Diligence exercise at the time of appointment of the Directorships of the incumbent.

POLICY SEVERABLE

This policy read with Companies Act, 2013 and Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this policy and shall be of no force and effect, and this policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

AMENDMENT

Any change in the policy shall be approved by the Board of Directors of the Company. Any amendment in the regulatory guidelines shall prevail and necessary amendment shall be carried out at a subsequent date in the policy. The Board of Directors of the Company shall have the right to withdraw and / or amend any part of this policy or the entire policy, at any time, as it deems fit, or from time to time, subject to applicable law in force.

