



**Lendingkart Finance Limited**

**Nomination and Remuneration Policy**

<b>Version No.</b>	5
<b>Approved By</b>	Board of Directors
<b>Policy Owner</b>	Company Secretary
<b>Effective date of the policy</b>	31 <sup>st</sup> March, 2023

<b>Ver. No.</b>	<b>Summary</b>	<b>Approving Authority</b>	<b>Effective Date</b>
1.	Approval of the Policy	Board of Directors	11 <sup>th</sup> September 2017
2.	Revision (Restatement of the Policy)	Board of Directors	3 <sup>rd</sup> June, 2019
2.	Review of the Policy	Board of Directors	20 <sup>th</sup> August, 2020
3.	Revision (Restatement of the Policy)	Board of Directors	5 <sup>th</sup> August, 2021
3.	Review of the Policy	Board of Directors	4 <sup>th</sup> August, 2022
4.	Revision (Restatement of the Policy as per RBI's Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs as prescribed under Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs)	Board of Directors	31 <sup>st</sup> March, 2023
5.	Revision of Policy to align with extant laws.	Board of Directors	06 <sup>th</sup> February, 2024

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## PART A

### GENERAL SECTION

#### 1. PREAMBLE

This Nomination and Remuneration Policy (“**Policy**”) has been formulated pursuant to the provisions of Section 178 of the Companies Act, 2013 (“Companies Act” or “Act”) read with the applicable rules thereto, Para 94.2 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and RBI’s Guidelines dated April 29, 2022 on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs as prescribed under Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs as amended from time to time (hereinafter referred to as “**Law**”), by the Nomination and Remuneration Committee (“**Committee**”) and approved by the Board of Directors of Lendingkart Finance Limited (“**Company**”)(hereinafter referred to as “**Board**”).

#### 2. OBJECTIVE

The objective of this Policy is as follows:

- a) To constitute and define terms and reference of Nomination and Remuneration Committee (NRC) of the Company.
- b) To establish principles of fixed / variable pay structures for KMP and Senior Management Personnel.
- c) To define malus / clawback provisions for KMP and Senior Management Personnel.

To provide a consistent framework to the NRC to perform its functions in compliance with the Law pertaining to the appointment of, remuneration payable to and removal of, Directors, KMP and senior management personnel and make appropriate recommendations to the Board. This policy also aims to ensure the payment of equitable, competitive remuneration to all the Directors, KMP, Senior Management of the Company which will be based on individual performance, Company’s benchmark and Industry practices.

### **3. APPLICABILITY**

This Policy shall be applicable to all Directors, KMP, Senior Management Personnel of the Company.

### **4. CLARIFICATIONS, AMENDMENTS AND UPDATES**

This Policy shall be implemented as per the provisions of the Applicable Law. Any amendments in the Applicable Law, including any clarification/ circulars of relevant regulator, shall be read into this Policy such that the Policy shall automatically reflect the contemporaneous Applicable Law at the time of its implementation.

All words and expressions used herein, unless defined herein, shall have the same meaning respectively ascribed to them, in the Applicable Law under reference, that is to say, the Companies Act, 2013 and Rules framed thereunder, as amended, from time to time and Directions, Circulars, Notifications, Press Release, Clarifications as issued by the RBI from time to time and applicable on the Company.

## 5. INTERPRETATION CLAUSES

For the purposes of this Policy references to the following shall be construed as:

<b>“Act”</b>	:	means the Companies Act, 2013 as may be amended from time to time;
<b>“Applicable Law”</b>	:	includes any statute, law, regulation, ordinance, rule, judgment, order, decree, bye-law, clearance, directive, guideline, policy, requirement, notifications and clarifications or other governmental instruction and/or mandatory standards as may be applicable to the Company from time to time;
<b>“Board”</b>	:	means the Board of directors of the Company;
<b>“Company”</b>	:	refers to the “Lendingkart Finance Limited”;
<b>“Executives”</b>	:	refers to the Directors, Key Managerial Personnel (KMP) and Senior management personnel of the Company;
<b>“Key Managerial personnel” or “KMP”</b>	:	refers to- -Managing Director, Manager, Chief Executive Officer, Whole time Director; -Chief Financial Officer; -Company Secretary; -Officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board of Directors of the Company; and -Officer(s) as may be prescribed under Applicable Law;
<b>“Nomination and Remuneration Committee” or “NRC” or “Committee”</b>	:	means the committee constituted by the Board of Directors;
<b>“Policy” or “this Policy”</b>	:	means the contents herein including any amendments made by the Board of the Company;

<p><b>“Senior management personnel” or “SMP”</b></p>	<p>:</p> <p>means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including functional heads</p>
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## 6. NOMINATION AND REMUNERATION COMMITTEE:

The Company should have the Nomination and Remuneration Committee. The Charter of the Committee, inter alia, providing for the composition, scope of the Committee, and manner of conducting the meetings of the Committee, is provided as Annexure-A to this Policy.

## 7. GUIDING PRINCIPLES FOR REMUNERATION AND OTHER TERMS OF EMPLOYMENT

- 7.1 Support for Strategic Objectives: Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, and supports and reinforces the achievement of the Company’s vision and strategy.
- 7.2 Transparency: The process of remuneration management shall be transparent and conducted in good faith.
- 7.3 Internal equity: The Company shall remunerate the Executives in terms of their roles within the organization. Positions shall be formally evaluated to determine their relative weight in relation to other positions within the Company.
- 7.4 External equity: The Company strives to pay an equitable remuneration, capable of attracting and retaining high quality personnel. Therefore, the Company will remain logically mindful of the ongoing need to attract and retain high quality people, and the influence of external remuneration pressures. Reference to external market norms will be made using appropriate market sources, including relevant and comparative survey data, as determined to have meaning to the Company's remuneration practices at that time.
- 7.5 Flexibility: Remuneration and reward offerings shall be sufficiently flexible to meet both the needs of individuals and those of the Company whilst complying with relevant tax and other relevant laws.
- 7.6 Performance-Driven Remuneration: The Company shall establish a culture of performance driven remuneration through the implementation of the

## Performance Incentive System.

7.7 Affordability and Sustainability: The Company shall ensure that remuneration is affordable on a sustainable basis.

7.8 Components and risk alignment:

The compensation packages of KMP and Senior Management Personnel of the Company will comprise of fixed, and variable pay components which will be aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

### Composition of Fixed Pay:

All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, will form part of fixed pay. All perquisites that are reimbursable will be included in the fixed pay as per the monetary ceilings applicable for such on these reimbursements. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) will form part of fixed pay.

### Principles for Variable Pay:

a) Composition of Variable Pay: -

The Company may offer variable pay in the form of share-linked instruments, or a mix of cash and share-linked instruments. The Company will ensure that the share-linked instruments are in conformity with relevant statutory provisions.

b) Proportion:

The Company will ensure that the proportion of variable pay in total compensation of KMPs/ Senior Management Personnel of the company is commensurate with their role and prudent risk-taking profile. The proportion of variable pay will be higher depending on the level of responsibility of the concerned KMP / Senior Management Personnel in the organisation's hierarchy. In case the variable pay contains share linked instruments, the Company will maintain a proper balance between cash payout and share-linked instruments. Further, basis the performance of the concerned individual, business unit and company wide level, the Company may reduce the variable pay to zero.

The Company shall define the performance measures and their relation to



remuneration packages at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.

c) Deferral of variable pay:

The Board may decide to fix a deferral period for payment of variable pay which shall depend on factors such as performance assessment of concerned individuals, time horizon of the relevant risks, components of variable pay i.e. cash and non-cash. The deferral of variable pay in the form of share linked incentive shall be governed as per concerned share-linked incentive policy.

d) Control and assurance function personnel:

The KMPs and Senior Management Personnel of the company engaged in financial control, risk management, compliance and internal audit will be compensated on the basis of their key role in the Company vis-à-vis performance assessment indicators which will be independent of the business areas they oversee. The Company may offer higher proportion of their compensation in fixed mode and some proportion as determined by the NRC / Board in the form of variable pay to enable the Company to exercise the options of malus and/or clawback, when warranted.

7.9 Guaranteed bonus: The Company will not pay guaranteed bonus to KMPs and Senior Management. However, in the context of new hiring joining/sign-on bonus/ retention bonus could be considered, which will neither be considered part of fixed pay nor of variable pay.

7.10 Malus/Clawback: The deferred compensation mentioned above will be subject to malus/clawback arrangements in the event of subdued or negative financial performance of the company and/or the relevant line of business or employee misconduct in any year. The Company will provide to all KMPs and Senior Management eligible for variable pay, a representative set of situations along with the details of period including deferral and retention period, in which the Company may invoke the malus and clawback clauses on entire variable pay.

## PART B

### **8. CRITERIA FOR DETERMINING QUALIFICATIONS AND POSITIVE ATTRIBUTES OF A DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL**

#### **8.1 Directors**

- The Director shall possess appropriate expertise, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or such other areas related to the Company's business as determined by Nomination and Remuneration Committee.
- The Director shall also possess core skills/expertise/competencies as identified by the Board of Directors.
- The person to be appointed as a Director on the Board of the Company shall comply with the requirements of sub-section (4) of section 152 of the Act and shall not have been disqualified from appointment as provided in section 164 of the Act.
- Furthermore, the person should be fit and proper to be appointed as a director of the Company in terms of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ('RBI Master Direction'), as amended from time to time.
- A person to be appointed as an Independent Director shall be qualified as an 'Independent' in terms of Section 149(6) of the Companies Act and the rules made thereunder. Such person shall not be on the Board of more than three NBFCs- Middle Layer or NBFC-Upper Layer (NBFC-ML or NBFC-UL) at the same time. Further, the Company will also evaluate that there is no conflict arising out of such person being an Independent Director on the Board of other NBFCs at the same time.
- The appointment of such person as an Independent Director on the Board of the Company shall be made in accordance with the conditions provided in the Applicable Law.
- The termination of services of a Director (either by removal/resignation) shall be given effect to in accordance with the provisions of the Companies Act, 2013, the constitutional documents (Memorandum and Articles of association) of the Company, Appointment Letter (if any) executed between the Company and Director and Human Resource (HR) Policy of the Company, as applicable.

## 8.2 Key Managerial Personnel (KMP)

- A whole-time KMP shall not hold office (Including Directorship) in any other company except in its subsidiary company at the same time;
- The appointee shall have appropriate skills, experience and knowledge as required for the concerned job position;
- The appointee shall possess attributes such as integrity, leadership qualities, decision making ability and effective communication skills.
- The appointee shall not engage in any business, relationship or activity, which might detrimentally conflict with the interest of the Company.
- Termination of KMP (either by removal/resignation) shall be given effect to in accordance with the provisions of the Companies Act, 2013, Employee's terms of employment with the Company and HR Policy, as applicable.

## 8.3 Senior Management Personnel

- The appointee shall have appropriate skills, experience and knowledge as required for the concerned job position.
- The appointee shall possess attributes such as integrity, leadership qualities, decision making ability, effective communication skills and such other attributes which in the opinion of the Committee are necessary in the interest of the Company.
- The appointee shall not engage in any business, relationship or activity, which might detrimentally conflict with the interest of the Company.
- The appointment, termination and remuneration including revision(s) in the terms of employment of SMP shall be governed in accordance with the Employee's terms of employment with the Company and HR Policy of the Company.

## **PART C**

### **9. COMPENSATION STRUCTURE**

#### **9.1 Non-Executive Directors**

- Subject to approval of the Board of Directors, the Non-executive Directors of the Company may be paid remuneration by way of sitting fees only for attending the meetings of the Board of Directors and its Committees. The fees paid to the Non-Executive Directors for attending meetings of Board of Directors shall be such as may be determined by the Board within the limit prescribed under the Companies Act, 2013. The Non-executive Directors will also be entitled to reimbursement of expenses for attending the meeting.
- The fees of the Non-Executive Directors for attending meetings of Board of Directors and the Committees thereof may be modified from time to time only with the approval of the Board or any officer(s) authorized by the Board, in due compliance of the provisions of Companies Act, 2013 and as amended from time to time.
- An Independent Director shall not be entitled to any stock option and may receive remuneration only by way of sitting fees and reimbursement of expenses for participation in meetings of the Board or Committee thereof.
- If any such director draws or receives, directly or indirectly, by way of fee/remuneration any such sums in excess of the limit as prescribed or without the prior sanction, where it is required, under the Applicable law such remuneration shall be refunded to the Company by such Director and until such sum is refunded, hold it in trust for the Company.

#### **9.2 Executive Directors and Key Managerial Personnel (KMPs)**

The Company has a credible and transparent framework in determining and accounting for the remuneration of the Managing Director / Whole Time Directors (MD/WTDs), Key Managerial Personnel (KMPs) and Senior Management Personnel (SMPs). Their remuneration shall be governed by the external competitive environment, track record, potential, individual performance and performance of the Company as well as industry standards. The remuneration determined for MD/WTDs/Manager shall be approved by the Board of Directors at a meeting which shall be subject to the approval of members at the next general meeting of the Company as per the provisions of the Companies Act, 2013. As per the Policy, the Executive Directors are not paid any fees for attending the Board and/or Committee meetings.

- If any Director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit as prescribed or without the prior sanction, where it is required, under the Applicable law, such remuneration shall be refunded to the Company and until such sum is refunded, hold it in trust for the Company.
- A Director may receive any remuneration or commission from any holding or subsidiary company of the Company, subject to its disclosure by the Company in the Board's report.
- Subject to the provisions of the articles of association of the Company, the remuneration (including revision) of KMPs (excluding Executive Directors) and SMPs, shall be determined by the MD/WTD/Manager and Head of Human Resource (HR) Department after taking into consideration the academic, professional qualifications, work experience, skill, other capabilities and industry standards.
- Further, the remuneration (including revision) of KMPs (excluding Executive Directors) shall also be subject to approval of the Board of Directors/concerned Committees, if stipulated by any Act, statute, regulations, etc.

## **PART D**

### **10. EVALUATION PROCESS**

- 10.1 The evaluation of Directors, committees of the Board and the Board shall be conducted yearly or at such intervals as may be considered necessary on the basis of the criteria and manner for effective evaluation of performance as defined by the Nomination and Remuneration Committee.

## **PART – E**

### **DISCLOSURE, APPROVAL AND REVIEW OF POLICY**

#### **11. DISCLOSURE**

The policy shall be placed on the website of the Company and 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.

#### **12. APPROVAL AND REVIEW OF THE POLICY**

- This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Applicable Law or as may be otherwise prescribed by the Committee/ Board from time to time. The Policy shall be placed for annual review before the Committee/Board of Directors.
- 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 of such amendment(s), clarification(s), circular(s) etc.

## **Annexure-A**

### **COMPOSITION, SCOPE, AND MANNER OF CONDUCTING THE MEETINGS OF THE NOMINATION AND REMUNERATION COMMITTEE**

#### **1. Authority and Composition**

##### **Authority:**

- 1.1. The Nomination and Remuneration Committee is constituted by, and accountable to, the Board of Directors of Lendingkart Finance Limited (the “Company”).
- 1.2. The NRC is authorized to seek any information it requires from any employee of the Company in order to perform its duties.
- 1.3. The NRC is authorized to obtain, at the Company’s expense, outside legal or other professional advice on any matters within its terms of reference.

##### **Composition:**

- 1.4. The NRC will comprise of such number of members, as appointed by the Board.
- 1.5. The Chairperson of the NRC shall be a Non-Executive director. The Chairperson of the Company may be appointed as a member of the NRC but shall not chair the NRC.
- 1.6. In case the Chairman of the NRC is absent, the members present in the meeting will elect a Chairman for that meeting.
- 1.7. The Head of Human Resources team and other management official may attend as invitees in the meetings of the NRC, as and when deemed appropriate by the NRC.
- 1.8. The Company Secretary of the Company shall be the Secretary of the NRC (the “Secretary”).
- 1.9. In the event a member of the NRC retires or is removed or resigns from the Board or the services of the Company, he/she shall also cease to be a member of the NRC.

#### **2. Scope**

The broad scope of the NRC is two-fold:

##### **2.1. Nomination Functions:**

- a. Regularly review the structure, size and composition of the Board, which includes Board diversity, evaluate the balance of skills, knowledge and experience on the



- Board and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- b. Formulate the criteria for determining qualifications, positive attributes and independence of a Director and maintain an external data bank of such suitable candidates.
  - c. Be responsible for identifying and nominating for the approval of the Board, persons who are qualified to become Directors and who are “fit for purpose” as per RBI guidelines and may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal.
  - d. Ensure that the proposed and existing Directors meet the ‘fit and proper’ criteria as prescribed by the RBI.
  - e. Ensure that there is no conflict of interest in appointment of Directors on Board of the Company, KMPs and Senior Management.
  - f. Carry out evaluation of the Directors’ performance.
  - g. Evaluate suitable candidates and approve the appointment of the MD/CEO and the Company’s Senior Management Personnel/ Leadership Team members.
  - h. Formulate plans for succession for the MD/ CEO, the Senior Management Personnels and Leadership Team members of the Company.
  - i. Re-appoint any non-executive director at the conclusion of his or her specified term of office, especially when he or she has concluded his/ her term in accordance with the provisions under the Companies Act, 2013.
  - j. Recommend re-election by shareholders of any director who is retiring by rotation.
  - k. Be responsible for any matters relating to the continuation in office as a Director of any existing Director at any time.

## **2.2. Remuneration/ Compensation Functions:**

- a. Oversee the framing, review and implementation of Nomination and Remuneration Policy ( “Remuneration Policy”) of the Company approved by the Board.
- b. Determine and recommend to the Board, the remuneration payable to the directors of the Company.
- c. Work in close coordination with the Risk Oversight Committee (RMC) of the Company to achieve effective alignment between compensation and risks.
- d. 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)
- e. Review and recommend the compensation for the Key Managerial Personnel, and each of the Senior Management Personnel and Leadership Team members, which will be further approved/ ratified by the Board of the Company.
- f. Conduct annual reviews or with such periodicity as may be determined by the

NRC, of the policies framed by the NRC.

- g. Review deployment of key Human Capital strategies and tools specifically in the area of talent acquisition, employee engagement and development and succession planning.

### **2.3. Others:**

Carry out such other functions as may be delegated by the Board from time to time, or as maybe necessary or appropriate for the performance of its duties or mandatory by any statutory notification, amendment or modification.

### **3. Meetings:**

- 3.1. The NRC will meet as frequently as required subject to a minimum of four meetings in a year and gap between two meetings shall not exceed 120 days.
- 3.2. Any NRC member or the Secretary upon the direction of a member of the NRC may call a meeting of the NRC.
- 3.3. A notice of each meeting confirming the date, time, venue and agenda shall be forwarded to each member of the NRC by the Secretary.

### **4. Quorum and Voting:**

- 4.1. The quorum for the NRC meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.
- 4.2. All decisions at the NRC will be decided by a majority of votes cast by NRC members present and voting.
- 4.3. Each member shall have one vote.
- 4.4. In case of equality of votes, the matter shall be placed before the Board members for their consideration and approval.

### **5. Minutes of Meetings**

- 5.1. The Secretary to the NRC shall prepare the minutes of the proceedings and resolutions of all the NRC meetings, including the names of those present and in attendance, either personally or through video conferencing.
- 5.2. Minutes of the NRC meetings shall be circulated to all members of the NRC for their review and on finalisation be signed by the Chairman of that meeting or by the Chairman of the next meeting.