



**PRAGATI FINSERV PRIVATE LIMITED**

**NOMINATION & REMUNERATION POLICY**

## TABLE OF CONTENTS

S. No.	Particulars	Page No.
1	Objective	3
2	Applicability	3
3	Definitions	3
4	Constitution of Nomination and Remuneration Committee (NRC)	4
5	Appointment and Removal of Directors, KMPs and Senior Management	5
6	Remuneration to Directors, KMPs, Senior Management Personnel & other Employees	6
7	Performance evaluation	7
8	Awareness training to the Independent Directors	8
9	Policy Review	8

## 1. Objective

This Nomination and Remuneration Policy (the “NRC Policy”) of Pragati Finserv Private Limited (the “Company”) has been framed as a measure of good corporate governance and in line with the requirement of the Section 178 of the Companies Act, 2013 (“Act”), as amended from time to time. Since the Company is a subsidiary of M/s. Northern Arc Capital Limited (NACL) the NRC Policy of NACL was adopted to the extent applicable.

The objective of the policy is

- a) To lay down broad framework for payment of remuneration to the Directors, Key Managerial Personnel, Senior Management Personnel and other employees;
- b) To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain reward and motivate directors and employees including key managerial personnel and senior managerial personnel of the quality required to run the company successfully;
- c) To ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- d) To ensure that 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 aligned with its goals;
- e) To specify the manner for effective evaluation of performance of Board, its committees and individual directors.

## 2. Applicability

This Policy is applicable to

- (i) appointment and removal of Directors and Senior management of the Company
- (ii) determination of Remuneration payable to Directors, Key Managerial Personnel and other employees.
- (iii) Performance evaluation of Board, its committees and individual directors

## 3. Definitions

The definitions of some of the key terms used in this Policy are as below:

- a. **“Board of Directors” or “Board”** means Board of Directors of the Company.
- b. **“Company”** means Pragati Finserv Private Limited

- c. **“Committee(s)”** means Committees of the Board for the time being in force.
- d. **“Directors”** mean Directors of the Company.
- e. **“Employee”** means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.
- f. **“HR”** means the Human Resource department of the Company.
- g. **“Independent Director”** refers to a Director of the Company who satisfies the criteria for independence under Section 149 of the Companies Act, 2013.
- h. **“KMP”** refers to Key Managerial Personnel as defined under the Companies Act, 2013.
- i. **“NRC”** refers to the Nomination and Remuneration Committee of Board of Directors of the Company formed in line with the Act.
- j. **“Senior Management”** or **“SMP”** 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 the functional heads.

However, the NRC will review the list of SMPs identified based on their functional role from time-to-time.

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.

All terms used in the Policy except stated herein above shall have the same meaning as ascribed to them under the Act. This Policy shall be subject to such statutory clarifications, informal guidance and FAQs as may be issued by Regulatory Authorities from time to time.

#### **4. Constitution of Nomination and Remuneration Committee (NRC):**

The Composition of the Committee shall be in accordance with the provisions of Section 178 of the Act. The Committee shall comprise of at least three non-executive directors out of which not less than one-half shall be independent directors. The Chairperson of the Company (executive or non-executive) may be a member of the NRC but shall not chair the Committee. The Company Secretary of the Company shall act as Secretary of the Committee.

## 5. Appointment and Removal of Directors, KMPs and Senior Management

### a. Appointment and Removal of Directors

- NRC shall determine the criteria for appointment to the Board of Directors and shall be vested with the authority to identify candidates for appointment as Directors. While evaluating the suitability of an individual Board member, NRC shall take into account multiple factors, including general understanding of the business, education, professional background, personal achievements, professional ethics and integrity.
- Based on the recommendation of NRC, the Board shall evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman / MD & CEO shall interact with the new member to obtain their consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Act and Rules made there under.
- If a Director is disqualified as per any provision mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the company, NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

### b. Appointment and Removal of Key Management Personnel

- The authority to identify right candidates for the appointment of Chief Finance Officer (CFO), Company Secretary (CS) and such other persons identified & designated as key managerial personnel by the Company shall be vested with the MD & CEO. HR shall facilitate MD & CEO towards identifying the candidates internally or externally. NRC shall consider the candidates proposed by the MD & CEO and recommend to the Board for its consideration and appointment in accordance with the applicable provisions of the act and rules.
- In case of MD & CEO or Whole-Time Director's appointment, NRC shall initiate the process of identifying the new candidate, who can be wither an internal or external candidate, for the respective position. After identification and screening of the candidate, NRC shall propose the candidature to the Board for its consideration and for appointment subject to the approval of Shareholders.
- If a KMP is disqualified as per any provision mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the company, NRC may recommend to the Board with reasons recorded in writing, removal of a KMP subject to the compliance of the applicable statutory provisions.

### c. Appointment and Removal of Senior Management

- The Senior Management personnel are appointed and removed/relieved with the

authority of MD & CEO based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed/relieved during a quarter may be updated to the Board as part of Corporate Governance practices.

## **6. Remuneration to Directors, KMPs, Senior Management Personnel & other Employees**

### **a. Remuneration to Non-Executive Directors**

- NRC shall decide the basis for determining compensation, both fixed and variable, for Non-Executive Directors, including Independent Directors, whether as commission or otherwise. NRC shall take into consideration various factors such as Director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Act and such other factors as NRC may consider fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Companies Act and the rules made thereunder, subject to the approval of the Shareholders.
- The company may pay a sitting fee to any of its directors for attending meetings of the Board or committees thereof, such sum as may be decided by the Board of directors thereof which shall not exceed one lakh rupees per meeting of the Board or committee thereof.

### **b. Remuneration to Executive Directors**

- Remuneration, both fixed and variable, to Executive Directors, MD & CEO shall be recommended by NRC to the Board and shall be paid as salary, commission, performance bonus, perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation shall be determined at the time of their appointment, the variable compensation and increment shall be determined annually by NRC based on performance. The Company may also grant stock options to Executive Directors, subject to the compliance of the applicable laws and approval of the NRC and Board.

### **c. Remuneration to KMP, Senior Management Personnel and other Employees**

- The compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices.
- The overall remuneration to employees shall include fixed component (guaranteed pay) and variable component (performance pay) 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.

- The remuneration for KMPs shall be proposed by the MD & CEO / HR to NRC, consistent with the strategy of the Company and their qualifications, experience, roles and responsibilities. Pursuant to the provisions of Section 203 of the Act, the Board shall approve the remuneration at the time of their appointment.
  - Remuneration for new employees (other than KMPs) and Senior Management Personnel shall be decided by HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.
  - The Company shall follow an extensive annual performance management system to review the performance of the employees / Senior Management and provide rewards on the basis of meritocracy.
- d. **Employee Stock Option:** In order to attract and retain the key/ quality talent and to motivate the employees to achieve long term business goals, the Board may consider at appropriate time, issue of Employee Stock Options for the identified employees in accordance with Company's ESOP Policy.
- e. **Miscellaneous:** The Cost-to-Company (CTC) shall be reviewed annually and the compensation strategy for positioning of individuals shall take into consideration the following elements:
- Performance
  - Potential
  - Criticality of role
  - Responsibilities undertaken

Eligible employees shall be rewarded with an annual increment and variable bonus. This annual increment and variable bonus shall be based on the performance of the Company, the annual performance appraisal of the employee during the financial year and general industry trends, etc.

The annual increment and variable bonus for the Senior Management/employees shall be proposed by HR, discussed with and approved by the MD & CEO.

Post obtaining approval from the MD & CEO, a presentation shall be made to the NRC on the proposed annual increments and variable bonus. The stock option grants to the employees shall be approved by the NRC based on the recommendation of HR and MD & CEO. NRC shall recommend the vesting of options to employees. However, the Board of Directors has the authority to approve the vesting of options.

## 7. Performance Evaluation

Board of Directors shall carry out the evaluation of performance of every Director as per the applicable laws. The evaluation of performance of the Independent Directors shall also be carried out by the entire Board of Directors excluding the Director being evaluated in the same way as it is for the Executive Directors of the Company except the Director getting evaluated.



Evaluation of Independent Directors shall include (a.) Performance of the Directors and (b.) fulfilment of the Independence Criteria as specified in the Companies act and their Independence from the management. Evaluation of performance shall be carried out at least once in a year.

While evaluating the performance, the following parameters shall be considered:

- a) Understanding of the business and contribution towards its strategic direction;
- b) Attendance and participation in Board and Committee Meetings, whether in person or via video conferencing;
- c) Review of risk assessment and risk mitigation, financial statements and business performance;
- d) Providing timely and effective inputs on minutes and other materials circulated to the Board;
- e) Inter-personal relations with the rest of the Board and management;
- f) Adherence to ethical standards and disclosure of non-independence, where it exists.

The Board, as applicable, shall also be guided by the criteria provided under the Guide to Board evaluation dated August, 2020 issued by the Institute of Company Secretaries of India, as amended from time to time.

While evaluating the performance of the Chairman and Managing Director, the Board shall always consider the appropriate benchmarks set as per industry standards, the performance of the individual and also of the Company.

While evaluating the performance of Board as a whole, Board / Independent Directors shall consider the Structure of the Board, Meetings of the Board, Functioning of the Board, Management and Professional development as the basis for performance evaluation.

## **8. Awareness training to the Independent Directors**

The Independent Directors at the time of their co-option shall be provided with a personal orientation by the Senior Management. They shall also be provided with the material/literature regarding the Company's business and its operations, governing documents, information on key personnel and financial information to familiarize them with the Company. Their appointment letter shall provide their roles and responsibilities in the Company. The quarterly Board Meetings shall contain an agenda item on 'Business Updates' which shall provide development in the business strategy of the Company among others. The Chairman depending on the business needs may also nominate Independent Directors for relevant external training programs.

## **9. Policy Review**

This Policy may be amended, modified or supplemented from time to time. The Policy shall be reviewed every year by the Board of Directors of Company or whenever there is a significant change in the Policy, on the recommendation of NRC.

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