

**KEERTANA FINSERV PRIVATE LIMITED**

<b>Name of Policy</b>	Remuneration Policy
<b>Date of Last Approval/Review</b>	NA
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<b>Recommended by</b>	Nomination and Remuneration Committee
<b>Approved by / Authority to amend the policy</b>	Board of Directors
<b>Effective date of Implementation</b>	March 2024
<b>Disclosure</b>	The Policy shall be published on Company's website

**Version Control**

<b>Version</b>	<b>Date</b>	<b>Description</b>	<b>Description of Changes</b>
1.0	March 2024	Remuneration Policy	NA (New Policy)

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## REMUNERATION POLICY

### 1. Introduction

The Remuneration Policy ("Policy") of Keertana Finserv Private Limited ("**Company**") is formulated under the requirements of the Master Direction issued by Reserve Bank of India i.e Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ("**RBI- Master Direction**") and the circular issued by RBI Circular No. RBI/2022-23/36 DOR.GOV.REC. No.29/18. 10. 002/ 2022-23 and the Companies Act, 2013 and the rules made thereunder, as amended ("**Act**") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations,2015, as amended ("**Listing Regulations**").

This Policy is intended to be in conformity with the RBI- Master Direction and the Companies Act,2013 and rules made there under as on the date of its adoption. However, if due to subsequent modifications in the RBI- Master Direction, the Companies Act,2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**") or any other applicable law, a provision of this Policy or any part thereof becomes inconsistent with the Act, RBI- Master Direction or the Listing Regulations, the provisions of the Act, RBI- Master Direction or the Listing Regulations or the provisions of the Act as modified shall prevail.

This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director (defined below), matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, KMPs (defined below), Senior Management Personnel (defined below) and other employees.

The Nomination and Remuneration Committee shall ensure that "Fit and Proper Criteria' for the Directors" as prescribed by RBI- Master Direction is also satisfied in addition to this policy before considering appointment of any director on the Board.

### 2. Applicability

This Policy is applicable to :-

- i. Directors;
- ii. KMPs;
- iii. Senior Management Personnel; and
- iv. Other employees of the Company as decided by the Board and Risk Management Committee.

### 3. Definitions

In this Policy unless the context otherwise requires:

- a. '**Board of Directors' or 'Board'** means the collective body of the directors of the Company.
- b. '**Director(s)**' means a director of the Company, including executive directors, non-executive directors and Independent Directors.
- c. '**Independent Director(s)**' means a Director referred to in Section 149 (6) of the Act and Regulation 16(1)(b) of Listing Regulations.

- d. **'KMP'** means:
- Chief executive officer or Managing Director;
  - 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 a 'KMP' by the Board; and any other officer as prescribed under the Act from time to time.
- e. **'Managing Director'** means a Director referred to in Section 2(54) of the Act.
- f. **'NRC'** means the nomination and remuneration committee of the Company constituted in accordance with the Act and the Listing Regulations.
- g. **'Senior Management Personnel' or Senior Management or 'Senior Management Team'(SMT)** means the employees of the Company who are members of its core management team (excluding the Board of Directors) i.e. it would comprise of all members of the management of the Company one level below the Chief Executive Officer, Managing Director, Whole Time Director, including the functional / vertical heads, Company Secretary and Chief Financial Officer.
- h. **'Whole Time Director'** means a Director in the whole time employment of the Company.
- i. **'Clawback'**  
"A clawback is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances"
- j. **'Malus'** malus arrangement permits the organization to prevent vesting of all or part of the amount of a deferred remuneration.
- k. **'Vesting Period' means** a period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed.
- l. **Fixed Pay:** All fixed items of compensation, this would include
- a. Monthly fixed salary payable (Basic salary, HRA, Special allowance, etc.).
  - b. Perquisites and contributions towards retiral benefits (employer contribution to PF, Superannuation, NPS, gratuity, etc.).
  - c. All perquisites that are reimbursable (car lease etc.) and have a monetary ceiling.
  - d. Monetary equivalent of benefits of non-monetary nature (Company provided car, furnished house, Club membership, etc.).
- m. **Variable Pay:** All items of compensation that are paid basis performance of an individual and/or the company
- a. Variable pay is part of the compensation that is paid basis performance measures defined for the performance measurement period.
  - b. It can be reduced to zero based on performance at an individual, business-unit and company-wide level
  - c. Components: Both cash and share linked instruments such as stock options of the

company (ESOPs) are part of variable pay.

- b. **ESOP means** Employee Stock Option Program. The Scheme under which employees of the company are granted stock options in a given financial year.

#### 4. **Objective of this Policy**

The Policy is framed with the following 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 of Directors, KMPs, and Senior Management Personnel 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 be appointed to the positions of Directors, KMPs and Senior Management Personnel, and
- v. to determine their remuneration; 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 ensure the financial and operating performance of the Company over the preceding three years is considered while determining the remuneration;
- vii. to ensure there is a principle of proportionality while determining the remuneration;
- viii. to ensure that details of the securities of the Company held by the Directors including options and details of shares pledged as at the end of the preceding financial year is considered while determining the remuneration;
- ix. to evaluate the performance of Directors, KMPs, 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
- x. to retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create a competitive advantage.

In the context of the aforesaid criteria the following policy has been formulated by the NRC and adopted by the Board of Directors.

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

- i. As per the norms prescribed by **RBI- Master Direction**, the Board of the company has constituted a NRC. Its role, scope and constitution is defined and approved by the Board.
- ii. One of the responsibilities of the NRC is to oversee the framing, review, and implementation of the compensation practices of the organization.
- iii. The NRC also ensures 'fit and proper' status of proposed / existing directors, and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management.
- iv. Two out of three members of the NRC shall be independent directors.
- v. Two members of NRC shall also be members of the Risk Management Committee (RMC) of the Board. This ensures effective alignment between compensation and risk.
- vi. Constitution of the NRC is reviewed periodically by the Board.

## 6. **Appointment of Director, KMPs and Senior Management Personnel**

- i. The NRC shall identify and ascertain the integrity, qualification, expertise and experience of a person for appointment as Director, KMP, or Senior Management Personnel, and make recommendations to the Board regarding their appointment.
- ii. The NRC shall consider “Fit and Proper’ Criteria for appointment, re-appointment or while changing designation of directors.
- iii. A person should possess adequate qualification, integrity, technical expertise, track record, expertise and experience for the position they are being considered for appointment. Accordingly, the NRC has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- iv. Appointment of Directors is subject to prior approval of Reserve Bank of India (as required by **RBI- Master Direction**) and compliance with Section 164 of the Act and provisions of other applicable laws.
- v. The NRC shall do proper due diligence before seeking approval of RBI for appointment or re-appointment a person as director or while evaluating his position to continue as director.
- vi. The due diligence to determine the suitability of the person for appointment/ continuing to hold appointment as director should be based on qualification, expertise, track record, integrity and other “fit and proper’ criteria.
- vii. The proposed director/ existing director (in case of renewal) should submit necessary information and declaration from the proposed/existing directors for this purpose.
- viii. An independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. Further, the NRC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time.
- ix. Appointment of Independent Directors is subject to compliance with Section 149 of the Act read with Schedule IV and the Listing Regulations.
- x. Based on the information provided in the signed declaration, the NRC shall decide on the acceptance or otherwise of the Directors, where considered necessary.
- xi. 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.

## 7. **Removal**

The NRC may recommend to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel, subject to compliance with the provisions of RBI- Master Direction, the Act and any other applicable laws.

## 8. **Retirement**

The Directors, KMPs and Senior Management Personnel shall retire as per the applicable provisions of the of RBI- Master Direction, the Act and the prevailing policy of the Company.

## 9. **Principles for Compensation**

The Company follows a well-defined policy for compensation. The policy clearly links the performance with the total compensation paid to an individual. This is shared at the start of the year with the KMP and members of senior management team (SMT). At the end of a financial year, performance of a KMP and SMT is evaluated basis individual, business/function unit's and company's performance. In addition, the individual is also rated on leadership demonstrated during the year.

The compensation of KMP and SMT is periodically benchmarked with a basket of companies, to ensure it is in line with industry best practices and competitive for the talent that we have, and to continue to attract best in class talent to the company.

### **A. Compensation Components**

- i. The total remuneration for KMP and SMT has two main components: Fixed Pay and Variable Pay.
- ii. Variable pay is further divided into payments made in cash as bonus and ESOPs. Presently the company has not considered any ESOPs but if it is considered in future, ESOPs will form part of variable pay.

### **B. Principles of Variable pay**

- i. Variable pay as a proportion of total remuneration increases as roles and responsibilities increase.
- ii. The percentage distribution of total remuneration could vary basis roles and responsibility and performance in a given financial year.
- iii. The variable pay component of remuneration is paid to the KMP and SMT basis the final performance and leadership rating for the year.
- iv. Basis performance, variable pay can be reduced to zero in a given financial year.
- v. These aspects ensure compensation outcomes are symmetric with risk and performance outcomes

### **C. Deferral of variable pay**

RBI guidelines for NBFC advises that a certain portion of variable pay, as decided by the Board of the company, may be deferred and this deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Also, deferral period for such an arrangement may be decided by the Board of the company. Variable pay also includes ESOPs, wherever applicable, and accordingly, the multi year vesting to be in place to ensure deferral of variable pay.

### **D. Compensation for Control and assurance function personnel**

The goal setting and performance appraisal process of the company ensures that KMPs and senior management team members engaged in financial control, risk management, compliance and internal audit have performance measures that are independent of the business areas they oversee.

The Risk Management committee and Audit committee of the Board reviews their performance independently and advises the company on their performance which in turn results in the variable part of their compensation.

**E. Provisions for Malus and Clawback**

- i. The compensation policy is being amended to include Malus and Clawback clauses.
- ii. As a guiding principle, prior to any action being taken by the NRC under this provision, the NRC and the company will ensure due regard for the Principles of Natural Justice.
- iii. The variable pay part of compensation will be subject to Malus and Clawback arrangements in the event of certain circumstances.

**F. Circumstances under which application of Malus and Clawback is to be considered**

- i. Material breach of company's Code of Conduct, regulatory procedures, internal rules and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus or / and Clawback provisions.
- ii. Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
- iii. Willful misinterpretation / misreporting of financial performance of the company.
- iv. Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- v. Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
- vi. An act of willful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the company.
- vii. Malus may also be applied in the situation of significant deterioration of financial or risk performance from one financial year to the next.
  - a) The performance measures defined as part of goal setting process of the company, business threshold metric and sustainable business strategy framework would form the primary considerations for evaluating the application of Malus in this condition.
  - b) The NRC may duly take into consideration factors that were within the control of the person, and/ or beyond reasonable control, on account of conditions such as macro events, market conditions, industry performance, changes in legal/regulatory requirements, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.
- viii. Above events are to be considered by the NRC for application of Malus and Clawback where they result in significant loss to the company or its shareholders.
- ix. Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

**G. Application of Malus & Clawback provisions**

- i. The NRC will review the requirement to invoke the Malus or Clawback provisions in the event one or more of the circumstances come to light.
- ii. The review by the NRC will aim to determine involvement, accountability, severity and willful nature of the act of the concerned person/s.
- iii. Bonafide errors of judgment will not be subject to Malus provisions.
- iv. The provision of a Malus arrangement would entail cancellation of deferred portion of variable pay. The NRC may decide to apply Malus on part, or all of the unpaid cash portion of variable pay or unvested ESOPs basis level of involvement, proportionality and impact.
- v. The provision of Clawback arrangement would entail return of already paid variable pay in cash and/ or ESOPs attributable to a given reference year to which circumstances



triggering the provisions of Malus and Clawback are related.

- vi. The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact.

#### **H. Sitting Fee**

The NRC may recommend for payment of sitting fees to the Directors. The quantum of sitting fees will be determined as per the recommendation of the NRC and approved by the Board of Directors subject to the applicable law

### **10. Role of the NRC**

The following matters shall be dealt with by the NRC:

- i. **Size and composition of the Board** - Periodically reviewing the size and composition of the Board to have an appropriate mix of executive and independent Directors to maintain its independence and separate its functions of governance and management and to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company.
- ii. **Directors** - Formulate the criteria determining qualifications, positive attributes and independence of a Director and recommend candidates to the Board when circumstances warrant the appointment of a new Director, having regard to qualifications, integrity, expertise and experience for the position.
- iii. **Evaluation of performance –**
  - Make recommendations to the Board on appropriate performance criteria for the Directors.
  - Formulate the criteria and framework for evaluation of performance of every Director.
  - Identify ongoing training and education programs for the Board to ensure that non-executive directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.
- iv. **Remuneration framework and policies** -The NRC is responsible for ensuring that the remuneration framework is in accordance with the objectives of this Policy mentioned above.
- v. **Declarations –**
  - The NRC shall review the annual declaration submitted by directors and ensure that the information already provided by them has not undergone any change and where there is change, requisite details are furnished by them forthwith.
  - Quarterly declaration submitted by the directors should also be reviewed by the NRC.
  - The NRC must ensure in public interest that the nominated/elected directors execute Deeds of Covenants as prescribed by **RBI- Master Direction**

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