

**Finstars Capital Limited**

Policy Name: Nomination and Remuneration Policy

Version: 1.0

Date of Approval / Review : 01-07-2024

**NOMINATION & REMUNERATION POLICY**

**1. Introduction**

This Nomination & Remuneration Policy (“Policy”) of Finstars Capital Limited (“FCL” or “Company”) is formulated under the Companies Act, 2013 (“Act”) and RBI Notification No. RBI/DoR/2023-24/106 Master Direction-RBI (Non-Banking Financial Company-Scale Based Regulation) Direction 2023 DoR.FIN.REC.No.45/03.10.119/2023-24 dated 19th October 2023 and updated as on March 21, 2024 and as amended from time to time, this policy on Nomination and Remuneration of Directors, Key Managerial Personnel (“KMP”) and the Senior Managerial Personnel (“SMP”) has been formulated by the Nomination and Remuneration Committee of Board (“NRCB” or “the Committee”) and approved by the Board of Directors of the Company (“the Board”).

**2. Purpose and Objective**

The purpose and objective of this policy are:

2.1 To formulate the criteria 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.

2.2. To recommend candidates for appointment as Directors, Key Managerial Personnel (“KMP”) and Senior Management;

2.3. To establish and review succession plans of the Board of Directors of the Company (“Board”), KMP and Senior Management;

2.4. To recommend policy relating to appointment and removal of Directors, KMP and Senior Management.

2.5. To recommend policy relating to the remuneration of the Directors, KMP and Senior Management/ other employees to the Board;

- To review and approve corporate goals and objectives relevant to the compensation of the whole-time directors, evaluating their performance in light of those goals and objectives and either as a committee or together with the other independent Directors (as directed by the Board),

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- To determine and approve whole-time Directors' compensation based on this evaluation; making recommendations to the Board with respect to KMP and Senior Management compensation and recommending incentive-compensation and equity-based plans that are subject to approval of the Board.

### **3. Key Considerations**

Role and Procedure for appointment and compensation of Directors, Key Managerial Personnel and Senior Management Personnel.

### **4. Definitions/Abbreviations**

- a. **'Board'** means Board of Directors of the Company.
  
- b. **'Directors'** means Directors of the Company.
- c. **'Committee'** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act and other applicable Laws.
  
- d. **'Company'** means Finstars Capital Limited.
  
- e. **'Independent Director'** means a director referred to in Section 149(6) of the Act and rules thereunder, and Listing Regulations.
  
- f. **Key Managerial Personnel ('KMP')** means following people, which includes people identified by the Company under provisions of the Act.
  - i) the Managing Director or Chief Executive Officer or manager
  - ii) Whole-time Director
  - iii) the Company Secretary;
  - iv) the Chief Financial Officer; and
  - v) any other person as defined under the Act from time to time
  
- g. **Senior Management** means officers/personnel of the Company and includes;
  - i) KMP
  
  - ii) one level below the Chief Executive Officer and Managing Director who are members of the core management and functional heads
  
  - iii) any other officer as determined by the Committee and the Board 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 and other applicable laws as may be amended from time to time shall have the same meaning respectively assigned to them therein.

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

5.1. The Board has constituted the Nomination and Remuneration Committee (“Committee”) of the Board. The composition of the Committee is in line with the requirements under the Applicable Laws. This Policy is integral to the functioning of the Committee.

5.2. While formulating this Policy, the Committee has considered the factors laid down under Section 178(4) of the Act, which are as under:

- a) 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) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) remuneration to Directors, KMP 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 its goals.

The Board has authority to reconstitute this Committee from time to time.

## **6. 5. General**

**This Policy is divided into three parts: -**

Part – A covers the matters to be dealt with and recommended by the Committee to the Board;

Part – B covers the appointment, removal and remuneration of Directors, KMP and Senior Management;

### **Part – A**

Matters to be dealt with, reviewed and recommended to the Board by the Committee

The following matters shall be dealt with by the Committee: -

**(a) Identification and recommendation of candidates for appointment as Directors, KMP and Senior Management:**

The Committee shall recognize persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this Policy and recommend to the Board their appointment and removal. In this regard, the Committee may rely on the Company's management, or external search firm(s), or a mix of both, as the Committee deems fit from time to time.

**(b) Size and composition of the Board:**

Periodically reviewing the size and composition of the Board to (i) have an appropriate mix of executive, non-executive and independent directors to maintain its independence and separate its functions of governance and management and (ii) ensure that it is structured to make appropriate decisions, with appropriate perspectives and skills, in the best interests of the Company;

**(c) Formulation of criteria and recommendation of Policy:**

Formulating the criteria determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, KMP and other employees.

For every appointment of an independent director, the Committee 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. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- (i) use the services of an external agencies, if required;
- (ii) consider candidates from a wide range of backgrounds, having due regard to diversity; also considering the time commitments of the candidates.

**(d) Evaluation of plans:**

Establishing and reviewing succession plans of the Board, KMP and Senior Management in order to ensure and maintain an appropriate balance of skills and experience on the Board and Senior Management.

**(e) Performance Evaluation :**

- (i) make recommendations to the Board on appropriate performance criteria for the Directors.
- (ii) formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company or engage with a third-party facilitator in doing so.

(iii) 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.

**(f) Remuneration framework and policies:**

The Committee is responsible for reviewing and making recommendations to the Board on:

- a. Remuneration of whole-time Directors to be presented for shareholders' approval including severance, if any.
- b. Individual and total remuneration of non-executive Directors and the chairperson (if non-executive), including any additional fees payable for membership of Board committees;
- c. the remuneration and remuneration policies for KMP and Senior Management having regard to the need to:
  - (i) attract and motivate talent to pursue the Company's long term growth;
  - (ii) demonstrate a clear relationship between executive compensation and performance;
  - (iii) be reasonable and fair, having regard to best governance practices and legal requirements and
  - (iv) balance between fixed and incentive pay reflecting short and long-term performance objectives as appropriate for the Company and its goals.
- d. the Company's incentive compensation and equity-based plans including a consideration of performance thresholds and regulatory and market requirements;

**PART – B**

**Policy for appointment, removal and remuneration of Directors, KMP and Senior Management**

- a) 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.
- b) 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 are sufficient/satisfactory for the concerned position.
- c) The Company shall not appoint or continue the employment of any person as Managing Director/Whole-time Director/Manager 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.

d) Appointment of Independent Directors is subject compliance of provisions of section 149 of the Act, read with schedule IV and rules thereunder.

e) 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 of such appointment in the Board's report.

f) 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.

g) The Term/Tenure of the Directors shall be governed as per provisions of the Act, and rules made thereunder as amended from time to time.

### **Non-Executive Director**

The Non-Executive Directors shall be evaluated on the basis of the following criteria i.e. Whether they:

- a) act objectively and constructively while exercising their duties;
- b) exercise their responsibilities in a bona fide manner in the interest of the company;
- c) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- d) do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- e) refrain from any action that would lead to loss of his independence;
- f) inform the Board immediately when they lose their independence;
- g) assist the company in implementing the best corporate governance practices;
- h) strive to attend all meetings of the Board of Directors and the Committees;
- i) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- j) strive to attend the general meetings of the company;
- k) keep themselves well informed about the company and the external environment in which it operates;
- l) do not to unfairly obstruct the functioning of an otherwise proper Board or Committee of

the Board;

m) Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest;

n) Abide by Company's Memorandum and Articles of Association, company's policies and procedures including code of conduct.

### **Removal**

Due to reasons for any disqualifications mentioned in the Act, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

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

The remuneration/compensation/ profit-linked commission etc. to the Whole Time Director, Directors will be determined by the Committee and recommended to the Board for approval.

Increments to the existing remuneration/ compensation structure shall be approved by the Committee.

Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer or Company Secretary for indemnifying any of them against any liability, in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

### **Sitting Fees**

The Non-executive/ Independent Directors of the Company shall be paid sitting fees as per the applicable Regulations and no sitting fee is paid to Non-Independent Directors. 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.

### **Profit Linked Commission**

The profit – linked Commission shall be paid within the monetary limit approved by the shareholders of the Company subject to the same not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Regulations.

## **Stock Options**

Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company. Only such employees of the Company and its Subsidiaries as approved by the Nomination and Remuneration Committee will be granted ESOPs.

## **Remuneration to Senior Management Personnel, Key Managerial Personnel and Other Employees**

The Senior Management Personnel and other employees of the Company shall be paid monthly remuneration as per the Company's HR policies and/ or as may be 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. as per the Company's HR policies.

## **Minutes of the Committee Meetings:**

Proceedings of all meetings of the Committee must be entered in the Minutes Book maintained for the purpose and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and the Committee meetings for approval/confirmation and/or record purposes.

## **Clarifications, Amendments and Updates and Policy review**

- (a) This Policy is framed based on the provisions of the Applicable Laws.
- (b) In case of any subsequent changes in the provisions of the Applicable Laws which makes any of the provisions in the Policy inconsistent with such provision of the Applicable Laws, then such provisions of the Applicable Laws would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with Applicable Laws.
- (c) This Policy shall be reviewed by the Committee, as required from time to time. Any changes or modification to the Policy as recommended by the Committee would be placed before the Board for their approval.

## **Disclosure of the Policy**

The Nomination & Remuneration Policy shall be placed on the website of the Company at and the salient features of this policy and changes therein along with the web address of the policy shall be disclosed in the Board's report.