



MIDLAND MICROFIN LIMITED

Nomination and Remuneration Policy

Document Control:

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1. INTRODUCTION

The Nomination and Remuneration Policy shall act as a guideline 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 of the Company.

2. DEFINITION

Words and expressions used and not defined in this policy but defined in any act applicable on the Company shall have the meanings respectively assigned to them in those Acts.

2.1. "**Board of Directors**" or "**Board**", in relation to the company, means the collective body of the Directors of the Company;

2.2. "**Chief Financial Officer (CFO)**" means a person appointed as the Chief Financial Officer of the Company;

2.3. **CxO** means and includes Chief Operating Officer, Chief Technology Officer, Chief Human Resource Officer, Chief Risk Officer, Chief Information Officer, Chief Compliance Officer, Chief Business Officer and other designations reporting to Managing Director & CEO as being defined under this category by the NRC time to time.

2.4. Company means Midland Microfin Limited

2.5. "**Company Secretary (CS)**" or "**Secretary**" means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 (56 of 1980) who is appointed by the Company to perform the functions of a company secretary under this Act;

2.6. "Compensation Policy" compensation policy means policy for providing compensation to Employees of the Company in the manner prescribed

2.7. "**Competent Authority**" under this policy means the Appointing Authority or any person(s) who has been delegated by the Board or any Committee of Board or Managing Director & Chief Executive Officer (MD & CEO) the powers to exercise any rights under this policy, for any employee(s) or class of employees.

2.8. "**Director**" means a director appointed to the Board of the Company collectively referred to as "**Director**";

2.9. "**Employee**" means an employee who is on the rolls of the Company and holding Employee ID but would not include persons engaged directly or indirectly in the organization as under:

1. Apprentice or Trainee by whatever name called
2. Contractual or Retainer ship
3. Temporary or Adhoc
4. Employees of the Contractor or under Outsourcing arrangement

2.10. "**Employees' Stock Option (ESOP)/ Share-linked Instruments**" means the option given to the directors, officers or employees of the Company which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the Company at a future date at a pre-determined price as per the duly approved ESOP Policy under the provisions of Companies Act, 2013 or under any other law for the time being in force.

2.11. "**Independent director**" means a non-executive director, other than a nominee director of the listed entity:
(i) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;

- (ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company or member of the promoter group of the listed entity;
- (iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;
- (iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;
- (v) none of whose relatives—
 - (A) is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;
 - (B) is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;
 - (C) has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or
 - (D) has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income: Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.
- (vi.) who, neither himself/herself, nor whose relative(s) —
 - (A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company or any company belonging to the promoter group of the listed entity, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed: Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.
 - (B) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
 - (1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or
 - (2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - (C) holds together with his relatives two per cent or more of the total voting power of the listed entity; or
 - (D) is a chief executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;
 - (E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;
- (vii.) who is not less than 21 years of age.

(viii) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director:

Explanation- In case of a 'high value debt listed entity':

(a) which is a body corporate, mandated to constitute its board of directors in a specific manner in accordance with the law under which it is established, the non- executive directors on its board shall be treated as independent directors;

(b) which is a Trust, mandated to constitute its 'board of trustees' in accordance with the law under which it is established, the non-employee trustees on its board shall be treated as independent directors.

2.12. "**Key Managerial Personnel (KMP)**", in relation to the Company, means—

- i. the Managing Director & Chief Executive Officer (MD & CEO);
- ii. the Whole-Time Director;
- iii. the Company Secretary;
- iv. the Chief Financial Officer;
- v. the CxO
- vi. 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 such other officer as may be prescribed by the Board from time to time;
- vii. persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity (Ind AS 24).

2.13. "**Senior Management Personnel**" shall mean 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 Departmental Heads reporting to KMPs

2.14. "**Malus**" Arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.

2.15. "**Clawback**" 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.

2.16. "**Managing Director & Chief Executive Officer (MD & CEO)**" means a Director who, by virtue of the Articles of the Company or an agreement with the Company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of the management of the affairs of the Company and includes a Director occupying the position of the Managing Director & Chief Executive Officer (MD & CEO), by whatever name called.

2.17. "**Nomination and Remuneration Committee (NRC)**" means Nomination and Remuneration Committee of the Board.

2.18. "**Policy**" means the Compensation Policy of the Company.

2.19. "**Whole-Time Director (WTD)**" includes a director in the whole-time employment of the Company;

2.20. "**Annual Business Plan**" shall include the business strategy, applicable accounting policies (including provisioning policies), project details including but not limited to project costs, means of finance, projected financial statements (including profit & loss account, balance sheet and cash flow statements) for the on-going Financial Year as well as to the extent possible, the subsequent two Financial Years, and would form the basis of management of the Business of the Company until such time that the same is duly updated / revised with the consent of the Board in terms of this Agreement. Such plan may be revised by the Board

during a particular Financial Year in light of business exigencies and once such plan is revised then such revised plan shall be treated as the “Annual Business Plan”.

3. Objectives and Functions of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall, inter-alia, perform all the functions as prescribed under applicable laws, as amended from time to time and more particularly the following functions, to the extent of its applicability:

- The committee is responsible for the following:
- Identifying and recommending qualified individuals for appointment or removal as Directors or in Senior Management positions. The committee shall also evaluate the performance of every Director.
- Formulating criteria to determine the qualifications, attributes, and independence of Directors and recommending a policy for their remuneration, along with that of the Key Managerial Personnel, Senior Management Personnel and other employees.
- Ensuring a balanced composition of Executive and Non-Executive Directors, Independent Directors, and diversity on the Board.
- Overseeing the formulation and administration of ESOP schemes.
- Identifying and recommending Directors for retirement by rotation.
- Evaluating the performance of Board members and Senior Management from a business and compliance perspective.
- Delegating its powers to its members or the Secretary of the Committee.
- Considering any other matters requested by the Board and determining the Remuneration Policy based on performance, attracting, retaining, and motivating Board members and other factors as deemed appropriate.
- Approving the remuneration of Senior Management, including Key Managerial Personnel, and maintaining a balance between fixed and incentive pay reflecting short and long-term performance objectives.
- Guiding the Board on the appointment and removal of Directors, Key Managerial Personnel, and Senior Management.
- Recommending remuneration payable to the Directors, Key Managerial Personnel, and Senior Management.
- Providing rewards to the Key Managerial Personnel and Senior Management linked to their effort, dedication, and achievement related to the Company's operations.
- Retaining, motivating, promoting talent, and ensuring long-term sustainability of managerial personnel and creating a competitive advantage.
- Developing a succession plan for the Board and regularly reviewing it.
- Formulating criteria for evaluation of Independent Directors and the Board.
- Implementing and monitoring policies and processes regarding principles of corporate governance.
- Recommending all remuneration payable to Senior Management in whatever form.

4. Policy for the Appointment and Removal of Director, KMP, and Senior Management

A. Criteria and Qualifications for Appointment:

- The Committee shall identify and assess the integrity, qualifications, expertise, and experience of the person for the position of Director, KMP, or at Senior Management level, and recommend to the Board for appointment.
- The candidate should possess adequate qualifications, expertise, and experience for the position he/she is being considered for. The Committee has the discretion to determine whether the qualifications, expertise, and experience possessed by a person is sufficient or satisfactory for the concerned position.
- The Committee shall consider the ethical standards of integrity and probity, qualification, expertise, and experience of the person being considered for appointment as Director, KMP, or at Senior Management level, and recommend to the Board for appointment accordingly.
- The Company must ensure that the Director/Independent Director/KMP/Senior Management Personnel appointed shall not be disqualified under the Companies Act, 2013, rules made thereunder, Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, or any other enactment in force.
- The appointment of Director/Independent Director/KMP/Senior Management Personnel shall be in accordance with the procedures laid down under the provisions of the Companies Act, 2013, rules made thereunder, or any other enactment in force.
- The Committee shall comply with the requirements of circulars/notifications issued by the Reserve Bank of India (RBI) with respect to the "Fit & Proper Criteria," as amended from time to time, concerning the appointment and continuing basis of Directors of the Company.

B. Removal Criteria:

- Any Director/KMP/Senior Management Personnel may be removed from the position if he/she is found to be disqualified or ineligible under the Companies Act, 2013, rules made thereunder, Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, or any other enactment in force.
- The decision regarding the removal of any Director/KMP/Senior Management Personnel shall be made by the Board of Directors based on the recommendation of the Committee.
- The reason for removal shall be communicated to the person concerned, and the Company shall follow the due process as per the provisions of the Companies Act, 2013, rules made thereunder, or any other enactment in force.

5. COMPENSATION PHILOSOPHY AND KEY PRINCIPLES

• **Compensation Philosophy**

The Company's compensation philosophy is to recruit, motivate, reward and retain employees who believe in, and live by, our culture and values. The Company endeavours to encourage entrepreneurship by creating a working environment that motivates high performance so that all employees can positively contribute to the strategy, vision, goals and values of the Company.

The Company's philosophy, supported by a robust performance management practice, strives to set our employees' total remuneration package at a competitive level by benchmarking to the market and providing incentives geared to agreed performance outcomes, where appropriate.

The Company believes the long-term success of the group is directly linked to the calibre of employees that we employ and the working environment that we create. It is, therefore, imperative that we make a concerted attempt to align the best interests of our employees with that of our other stakeholders.

- **Key Compensation Principles**

The Company's Compensation Policy is based fundamentally on the following principles:

- (a) The Compensation Policy is aligned to the overall business strategy, objectives and values of the Company.
- (b) The Compensation Policy contains arrangements for ensuring that the remuneration of "MD & CEO", CFO, CxO, CS, & "Whole Time Directors" is fair and reasonable in the context of overall Company's remuneration.
- (c) The Compensation policy, procedures and practices are consistent with, and supportive of, effective risk management.
- (d) Salaried employees are rewarded on a total rewards basis, which includes fixed and variable pay.
- (e) Adherence to principles of good corporate governance, as depicted in "best practice" and regulatory frameworks.
- (f) Regarding the manner of awarding variable incentive payments, distinctions are drawn between employees who operate in a risk-taking capacity and those who fulfill fiduciary roles (e.g. heads of control functions). This is to ensure that the independence of employees who act in a fiduciary capacity is not unduly compromised and conflicts of interests are minimized.
- (g) Performance evaluation criteria used to assess performance - takes into account - the level of achievement, - and also the risks taken in achieving that level of performance, i.e. performance measures are risk-adjusted where appropriate.
- (h) Variable incentives are based on various efficiency indicators that are stretching, verifiable and relevant. Multiple performance measures are used to avoid manipulation of results or poor business decisions.
- (i) In recognition that certain activities or projects undertaken by the CxO and MD & CEO which expose the Company to risks over an extended period of time, certain variable incentives are staggered, to be paid in installments over an appropriate period, thus recognizing the time horizon of risk exposure as well as reduced in line with the business achievements.
- (j) Offer flexibility for the customization of remuneration and benefits, i.e. work-life balance and specific business needs.
- (k) Make a clear distinction between levels of accountability and pay package.
- (l) The principles to be taken into account for the determination of positioning within pay packages:
 - a) The performance of the group, the division and the individual employee.
 - b) The employees' / team's ability and willingness to support the culture and live the values of the company.
 - c) The employees' / teams' level of co-operation/collaboration displayed.
 - d) The employees' commitment to focus on empowerment and development.
 - e) The scope of responsibility and level of accountability, as well as the individual's contribution to targets (performance).
 - f) Appropriate industry benchmarks (external) and / or comparable internal benchmarks.

6. COMPENSATION POLICY AREAS

- **Scope**

The Compensation Policy covers all the employees of the Company as a whole with specific criteria for remuneration of “MD & CEO”, “Whole Time Directors”, & CxO.

Structure Overview

The structure, comprises of the following elements:

- a) Guaranteed remuneration package (fixed), and
- b) Variable remuneration.

The fixed remuneration is guaranteed and normally paid irrespective of the Company’s performance, while the variable remuneration is not guaranteed, and is associated with individual or group at various levels keeping in view the company’s performance or risk assumed at various levels.

a) Guaranteed (Fixed) Remuneration/Package

a. Scope

The base element of the remuneration that reflects the employee’s role or position in the Company and is payable for doing the relevant job, including but not limited to basic salary, statutory bonus, allowances, perquisites, profit in lieu of salary and any other fixed component paid measured on the cost to company basis.

b. Structure

Guaranteed remuneration is normally benchmarked against the financial services market and is aligned to the expected operational performance.

c. Authority

The Guaranteed remuneration of the employees is fixed by the Authority and duly consented as per the below mentioned table:

S. No.	Level	Approved By
1	MD & CEO, Whole Time Director(s), CS and CFO	Board of Directors
2.	KMP other than at S.No.1 above	NRC
3.	Senior Management Personnel	NRC
4.	Employees other than at S. No. 1 to 3 above	Managing Director

d. Increment in Guaranteed remuneration:

The Criteria and authority for increase in Guaranteed remuneration for different level of employees shall be determined as under:

S. No.	Level	Criteria/ basis	Approved By
1	MD & CEO, Whole Time Director(s),	Schedule I	Board of Directors
2.	CFO and CS	NRC on the basis of Role and Performance	NRC
3.	KMP other than at S.No.1 & 2 above	NRC on the basis of Role and Performance	NRC
4.	Senior Management Personnel	MD on the basis of Role and Performance	NRC

5.	Employees other than at S. No. 1 to 4 above	MD on the basis of Role and Performance	Managing Director
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e. Permissible Allowances and Perquisites

The employee is paid Allowances and Perquisites as permitted by the Company keeping in view the job profile and market dynamics. The illustrative list of the allowances and perquisites which could be payable to the employee(s) are as under:

S. NO.	ALLOWANCES/PERQUISITES
1	House Rent Allowance/Rent Free Accommodation
2	Special Allowance
3	Leave Travel Allowance
4	Telephone Reimbursements
5	Car/Fuel Reimbursements
6.	Committed Performance Bonus
7.	Children Education Allowance
8.	Children Hostel Allowance
9.	Statutory or any other bonus as approved by Managing Director
10.	City Compensatory Allowance
11.	Other Allowance/perquisites as approved by CFO

f. Payout Frequency

Guaranteed remuneration is payable on monthly basis

g. Eligibility

All employees are eligible for guaranteed remuneration

b) Variable Remuneration

a. Scope

The reward element of the remuneration is focused to achieve the best performance of the employees for the performers and motivate them to perform further. The same is payable as a reward to individuals or group for achieving strong results in terms of pre-determined goals.

b. Structure

The variable Remuneration structure of the employee(s) can be on monthly basis or higher intervals depending upon the job profile and the employment contract. The same shall be based upon performance-based scorecard / individual employee rating /performance targets set in terms of threshold target/ out performance levels.

c. Authority

The Variable Remuneration of the employee is determined and paid on the basis of achievement of business targets and/or individual/ group performance rating in terms of laid down guidelines. The guidelines for the variable remuneration shall be approved as per the below delegated authority:

S. No.	Level	Periodicity	Criteria/ basis	Approved By
1	MD & CEO, Whole Time Director(s),	Yearly	As per schedule I	Board of Directors
2.	CFO and CS	Half Yearly	On the basis of role and performance	NRC
3.	KMP other than at S.No.1 & 2 above	As per Job Profile	On the basis of role and performance	NRC
4.	Senior Management Personnel	As per Job Profile	On the basis of role and performance	NRC
5.	Employees other than at S.No. 1 to 4 above	As per Job Profile	On the basis of role and performance	Managing Director

7. APPROPRIATE REMUNERATION MIX:

- The remuneration mix reflects the relative proportion of total guaranteed pay versus variable pay. There needs to be a balance between fixed and variable pay.
- The objective is to achieve a balanced mix appropriate for the job, level and performance, recognizing the need for flexible package design to acknowledge different business requirements and the market dynamics.
- Within this ceiling, at higher level of responsibilities, the proportion of the variable pay will be higher.
- The variable pay shall be considered to be substantial if the variable pay as a percentage to the fixed pay exceeds the ceiling as enumerated below
- The variable pay shall be in cash. ESOPs will be excluded from the component of variable pay for the calculation of the above ceiling.

S. No.	Level	Variable Salary Matrix	
		Proportion to Fixed Salary	Variables
1.	MD & CEO, Whole Time Director(s),	Upto 105% achieving both Matrix A & B at the Top level Performance	Loan Portfolio, Profitability, ROTA and Net NPA
2.	CFO & CS	Upto 50% achieving at the Top Level	To be decided by MD from time to time
3.	KMPs & SMPs	As per Job Profile	To be decided by MD from time to time
4.	Other employees other than at S.No.1 to 3 above	As per Job Profile	To be decided by MD from time to time

8. Malus and Clawback Provision:

In alignment with evolving corporate governance best practices, the Board may, based on the NRC's recommendation, invoke malus or clawback measures on variable pay when substantial evidence

indicates that a Key Management Personnel (KMP), Senior Management Personnel (SMP), has significantly contributed to, or been materially responsible for the following:

- a) Subdued or negative financial performance directly linked to the role of the KMP/SMP or the Company's relevant line of business.
- b) Non-achievement of Key Performance Indicators set by the Company for individual KMPs, and SMPs in the respective financial year.
- c) Personal engagement in fraudulent, dishonest, or grossly misconducted activities adversely affecting the Company's reputation.
- d) Directing employees, contractors, or advisors to engage in fraudulent, dishonest, or other misconduct.
- e) Breaching material obligations to the Company through errors, omissions, or negligence.

Upon the occurrence of such events, the Board, following NRC's recommendation, may decide to apply malus or clawback to the variable pay for a specified period covering deferral and retention periods.

During the decision-making process, the Board will assess whether the application of these provisions may unintentionally impact the Company's interests in related proceedings, prejudice ongoing investigations, or affect any pending legal actions related to fraud or intentional illegal conduct.

Any proposed revisions to the remuneration of KMP, and SMP post-appointment will require approval or ratification by the NRC. The remuneration adjustments will adhere to the guidelines outlined above.

9. COMPENSATION REVIEW:

- 1) The compensation will be reviewed on an annual basis. However, the competent authority may review the compensation on shorter intervals to facilitate role change, confirmation event, and talent scarcity or to retain talent.
- 2) The compensation will be reviewed keeping in view various internal and external factors, such as CPI, affordability, budgets, market movements/ trends, competitor remuneration, scarcity of skills, etc.

10. COMPENSATION GOVERNANCE:

The aim of remuneration governance in the Company is to provide an integrated approach to corporate governance through the consistent application of fundamental principles of sound remuneration practice and policies.

The Company has a centralized remuneration function that ensures the consistent application of the Compensation Policy across all operating entities. The role of the Nomination & Remuneration Committee (in addition to that defined in its terms of reference) is broadly ensure that there is a Compensation Policy put in place and to oversee the setting and administration of Compensation Policy at all levels. The Nomination & Remuneration Committee is also responsible to constantly monitor implementation of the Compensation Policy and review suitability of the Compensation Policy, thereby determining whether or not the stated objectives are being achieved.

11. EMPLOYEE STOCK OPTION PLAN (ESOP):

There would be a separate policy for the same and eligibility would be defined under the said policy.

12. NOMINATION AND REMUNERATION COMMITTEE:

i) Constitution of the Committee

The Board of directors of the Company shall constitute a Nomination and Remuneration Committee (NRC) of the Board. In case there would be an existing committee then that committee would be considered for taking all the decisions or otherwise new committee would be constituted as per the provisions of the Companies Act, 2013.

ii) Duties of the Committee

- a) To formulate, review and implement the Compensation Policy.
- b) To work in coordination with Risk Management Committee of the company in order to achieve the effective alignment between remuneration and risks
- c) To monitor and review on annual basis:
 - a. The overall salary payout of the Company, and to ensure that the cost/income ratio of the Company supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
 - b. To review the salary of MD & CEO and KMP annually and ensure it is in line with the policy guidelines all the time.
- d) To appoint persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal. NRC shall specify the manner for effective evaluation of performance of Board and Board committees and individual Directors which may be carried out either by the Board or by the NRC.
- e) To formulate the criteria for determining qualifications, positive attributes and independence of Director of the Company.

13. COMPENSATION GUIDELINES WITH SPECIAL REFERENCE TO “MD & CEO” AND “WTD”:

In order to ensure effective alignment of compensation with prudent risk taking read with the guidelines issued by Reserve Company of India, the overall compensation of the “MD & CEO” and “Whole Time Directors” shall be fixed keeping in view the following factors:

- a) to be adjusted for all types of risk,
- b) be outcomes are symmetric with risk outcomes, and
- c) payouts are sensitive to the time horizon of the risk.
- d) mix of cash, equity and other forms of compensation, consistent with risk alignment.

The Company shall use a wide variety of measures of credit, market liquidity and various other risks for implementation of risk adjustment. The risk adjustment methods should preferably have both quantitative and qualitative elements.

• Compensation structure for the “MD & CEO” and “WTD”

The Compensation shall be approved from the shareholders of the Company in the general meeting as per the requirements of The Companies Act, 2013. Provided that the remuneration of MD & CEO and WTD should be within the limits provided in The Companies Act, 2013 as amended from time to time. The current fixed remuneration of the MD & CEO would remain same and it would be increased as per the increment criteria given under clause 4.2.2. (d)

• Performance Linked Variable Incentive Matrix for MD and WTD

Matrix- A

- a) Payment Frequency - Yearly.
- b) Parameters: As per the below mentioned table
- c) Variables: Gross Loan Portfolio and PAT

		Gross Loan Portfolio (GLP)				
Profits After Tax	Achievement %	less than 70	70 to less than 80	80 to less than 90	90 to less than 100	100 and above
	Less than 70	0%	0%	30%	40%	50%
	80 to less than 85	0%	30%	35%	45%	55%
	85 to less than 90	30%	40%	45%	55%	60%
	90 to less than 100	50%	60%	65%	60%	65%
	100 and above	70%	70%	70%	70%	70%

Notes:

1. Business Growth will be calculated on the basis of the growth in AUM, targeted for the year vs. actual outcome.
2. Profitability achievement will be calculated on the basis of profit after tax, targeted for the year vs. actual outcome.

MATRIX- B

- a) Variables- ROATA and Net NPA
- b) Proportion of Matrix A

		Return On Average Total Assets (ROATA)				
Net Non-Performing Assets		<1.5%	>1.5%<=1.90%	>1.9%<=2.40%	>2.4%<=3.00%	>3%
	>3%<=3.5%	0.00	0.50	0.65	0.75	0.80
	<3.00%>=2%	0.50	0.55	0.70	0.80	0.90
	<2.00%>=1%	0.65	0.70	0.85	0.95	1.05
	<1%	0.75	0.90	1.15	1.25	1.50

Notes:

1. The above table depicts the matrix that will decide the payout amount in terms of times that would be calculated in the table as mentioned above based on matrix of Profits After Tax and Gross Loan Portfolio.
2. If the performance is more than prescribed norms in any or all segment of matrix A or B, the NRC may award additional remuneration as reward as it may deem fit.
3. To illustrate the above tables and example is mentioned below for the calculation purpose:

S.No.	Particulars	Amount (In Lakhs)
1	Fixed Salary for the Year	100
2	Projection- GLP	2,00,000
3	Projection- PAT	6,000
4	Achievement- GLP	1,79,000

5	Achievement- PAT	5,340
6	Achievement- GLP %	89.5
7	Achievement- PAT %	89
8	Long Term Incentive %	45
9	Long Term Incentive	45
10	Net NPA %	0.95
11	ROATA %	2.40
12	Multiplier	1.15
13	Incentive Pay out (9*12)	51.75
14	Variable Compensation as % to Total CTC	34

Exceptions: Notwithstanding anything contained herein, NRC may at its discretion allow variable Pay upto 100% in case of some unforeseen circumstances that may arise in near future as accepted by the delegated had arisen during the year and due to which achievement could not happen.

❖ **Incentive Not to be paid in Certain Circumstances:**

- **Disciplinary Action:** An employee who is under performance improvement program (PIP) or has been issued letter of warning (LOW) may not be considered for the incentive, fully or partially. An employee who is critically underperformer will not be considered for incentive.
- **Employee under Notice Period:** Any employee under the notice period as on the date of payment of the incentive would not be eligible for incentives except employees conforming to the following criteria:
 - i. An employee with a service period of more than 5 years, and
 - ii. Serves a notice period of 3 months, and
 - iii. Reason for resignation is not to join some competitor.

❖ **Exception:** The Delegated Authority under this policy is empowered to relieve all the employees fully or partly from performing their contractual obligations on the happening of adverse event(s) beyond their control, making performance against the projected inadvisable, commercially impracticable, illegal, or impossible. Company is a responsible corporate citizen and has a strong track record of trust and performance, built over the years by adopting ethical and sustainable business practices. The Company endeavors to adopt the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and other shareholders.

❖ **Review:** This Compensation Policy shall be reviewed by Nomination and Remuneration Committee and Board annually.