



AVANSE FINANCIAL SERVICES LIMITED

Nomination, Remuneration, Succession and Evaluation Policy

VERSION CONTROL

Version	Date of Adoption*	Change reference	Owner	Approving Authority
1	January 25, 2016	Adoption of Policy	Secretarial	Board of Directors
2	April 25, 2016	Merged with “Policy on Board Composition, Compensation etc.”	Secretarial	Board of Directors
3	January 18, 2019	Revision in Policy	Secretarial	Board of Directors
4	August 2, 2022	Review of Policy	Secretarial	Board of Directors
5	August 2, 2023	Review of Policy	Secretarial	Board of Directors
6	January 31, 2023	To include number of maximum directorship that an Independent Director can hold across NBFCs (i.e. NBFCs-ML and NBFC-UL)	Secretarial	Board of Directors
7	June 13, 2024	Renaming of the Policy and inclusion of Board Succession in the Policy	Secretarial	Board of Directors

** The Policy version controls are maintained from 2013 and onwards.*

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1. TITLE

This policy shall be called as “Nomination, Remuneration and Evaluation Policy”.

2. OBJECTIVE AND PURPOSE

In line with the statutory requirement under the in Section 178 (3) of the Companies Act, 2013 (Companies Act) and the rules made thereunder, each as amended and Regulation 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (SEBI Listing Regulations and the regulatory framework for Non-Banking Financial Companies (NBFC) issued by Reserve Bank of India (RBI), the Company has constituted a Committee named as Nomination, Remuneration and Compensation Committee (“Committee”). Further, the following policy has been prepared as per the requirement of the said provisions. The objective and purpose of the policy is:

- a) To ensure that the quantum and composition of remuneration is reasonable and sufficient to attract, retain and motivate employees.
- b) To ensure that relationship of remuneration to performance is clear and meets the performance benchmarks.
- c) To ensure that remuneration to Directors, Key Managerial Personnel, Senior Management and other employees involves a balance between fixed and incentives pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

3. DEFINITIONS

- i. **Board or Board of Directors** - means the Board of Directors of the Company.
- ii. **Company** shall mean Avanse Financial Services Limited
- iii. **Committee** - means the Nomination, Remuneration and Compensation Committee of the Company.
- iv. **Fit and Proper** - means the fit and proper criteria as prescribed by the Reserve Bank of India from time to time.
- v. **Key Managerial Personnel** as defined in the Companies Act, 2013, as amended from time to time.
- vi. **Senior Management Personnel** shall mean personnel of the Company who are Members of its core management team excluding Board of Directors and Chief Executive Officer (CEO) including all functional heads.

All other words and expressions used but not defined in this Policy, but defined in the SEBI Act, 1992, the Companies Act, the SEBI Listing Regulations and / or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

4. POLICY

A) Appointment / Nomination Criteria:

The Committee shall identify and ascertain the integrity, qualifications, skills, expertise, back ground, experience, independence etc. of the person for appointment as a Director and Key Managerial Personnel (KMP) and recommend to the Board his / her appointment. The appointment of the Directors and KMP shall be as per the provisions of the Companies Act and other applicable laws, as amended from time to time.

- i) For the appointment of Senior Management Personnel the criteria shall be to identify and ascertain integrity, qualification, skills, expertise, industry experience, back ground etc. of the person proposed to be appointed and the appointment of Senior Management Personnel shall be approved by the CEO of the Company.
- ii) In case of appointment of Director, the Committee and the Board shall ensure that they meet the fit and proper criteria prescribed by the Reserve Bank of India as amended from time to time and maintain the position during their tenure in office.
- iii) The Committee shall be duly informed about the appointment of any Senior Management Personnel.
- iv) Any other criteria as the Committee may deem fit and / or mentioned in the applicable laws.
- v) Within the permissible limit prescribed under the Companies Act and / or any other applicable laws, for the time being in force, no Independent Director of the Company shall be on the Board of Directors of other NBFCs (i.e. NBFC – Middle Layer and / or NBFC-Upper Layer) in excess of what has been permitted under the applicable provisions of the Master Direction – RBI (NBFC – Scale Based Regulation) Directions, 2023 or such other direction or guidelines, for the time being in force, issued by the Reserve Bank of India and / or any other regulatory authority or body, from time to time.

B) Evaluation:

- i) The Committee or Board shall carry out evaluation of performance of Board, its Committees and individual director on annual basis as per the provisions of the Companies Act as amended from time to time. The manner of evaluation can be in the questionnaire form, rating form or in any other manner as may be decided by the Committee from time to time. The performance parameters includes, but not limited to expertise, objectivity & independence, understanding of the company's business, willingness to devote the time, participation in discussion, responsiveness, composition of Board/Committees, frequency of meetings etc.
- ii) The evaluation of the KMP shall be done by the Committee based on their performance, achievements, ratings, Company's business performance etc.

- iii) The performance evaluation of the Senior Management and other employees shall be as per the Company's performance, annual appraisal process, prevailing HR Policies and HR framework implemented by the Company from time to time.

C) Removal:

In case of any disqualification mentioned in the Companies Act rules made there under or under any other applicable laws and breach of Company's prevailing HR Policies, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules, regulations and HR Policies.

D) Remuneration:

The compensation structure may also include stock options targeting employee participation in ownership of the Company and to ensure the retention of potential talents for the future growth and diversity of the Company. Any Director holding directly or indirectly more than 10% of the outstanding equity shares of the Company and Independent Director shall not be entitled to any stock options.

a) Executive Chairman / Managing Director / Whole-time Director:

- i. The remuneration / commission / bonus / performance linked incentives etc. to the Executive Chairman / Managing Director / Whole-time Director, will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the approval of the shareholders of the Company and Central Government, wherever required as per applicable laws.
- ii. The remuneration / commission to be paid to the Executive Chairman / Managing Director / Whole-time Director shall be as per the provisions of the Companies Act, the rules made thereunder and SEBI Listing Regulations as amended from time to time and other applicable laws, if any.
- iii. The NRC will determine the annual variable pay compensation in the form of annual incentive and annual increment for the executive director based on Company's and individual's performance as against the pre-agreed objectives for the year.
- iv. The executive directors, except for a promoter director, will also be eligible for ESOPs as per the ESOP scheme in force from time to time. Grants under the ESOP scheme shall be approved by the NRC.
- v. In case of inadequacy of profit in any financial year, the remuneration payable to the executive director shall be further subject to the relevant provisions of the Companies Act.
- vi. Increments / Revision to the existing remuneration / compensation structure shall be recommended by the Committee to the Board for its consideration and approval.

b) Non-Executive Director / Independent Director:

- i) The Commission may be paid to the Non-Executive Director / Independent Director at a rate not exceeding 1% per annum of the profits of the Company as per the provisions of Articles of Association, Section 198 of the Companies Act, rules made there under and other applicable laws, if any. The commission to be paid will be restricted to a fixed sum within the above limit annually on the basis of their tenor in office during the financial year.
- ii) The Non-Executive Directors / Independent Director may receive sitting fees for attending meetings of Board or Committee(s) thereof approved by the Board from time to time in line with the applicable provisions of the Companies Act.

c) KMP and Senior Management Personnel:

- i. The remuneration to the KMP and Senior Management Personnel of the Company shall be in line with the Company's philosophy to provide fair compensation to key – executive officers based on their performance and contribution to the Company and to provide incentives that attract and retain key executives, instill a long term commitment to the Company, and develop a pride and sense of Company ownership, all in a manner consistent with shareholder interests. The remuneration of Senior Management Personnel at the time of appointment including performance linked incentives, any revision / increments in the remuneration shall be approved by the CEO as per the HR Policy of the Company.
- ii. The remuneration, annual increments, performance linked incentives, perquisites etc. to the KMP of the Company shall be recommended by the Committee and approved by the Board of Directors.

d) Remuneration of Other Employees

Apart from Directors, KMP and Senior Management, the remuneration of rest of the employees will be determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity, local market conditions in competitive environment and HR Policy of the Company.

E) SUCCESSION PLAN FOR THE BOARD

A well-defined succession plan will ensure that the Company continues to get strategic guidance on the areas like business plans, corporate performance, governance, risk and control and effective monitoring of the management from the Board.

Towards the above and for effective succession plan of the Board, the NRC shall

- a. Review and analyze , on a continuous basis, the composition of the Board;
- b. Consider the need to appoint new Director(s) on the Board, which may arise owing to resignation / vacation of office by any Board Member or due to any change in regulatory framework / requirement or to meet the need to navigate the Company and its Management on its growth trajectory;

- c. In case any Director is due for retirement in next 6 months, the Committee may review the possibility of re-appointment of such Director, subject to applicable laws and the meeting of the fit and proper criteria by such Director, on basis of evaluation of performance of such Director and on the basis of fit & proper criteria and the Director's willingness to be re-appointed;

Based on the above, the Committee shall evaluate the need for appointment of Director(s), category of Director(s) to be appointed alongwith the desired profile of the proposed Director(s).

Procedure to be followed post assessment of need to appoint Director(s):

- (i) Once the need to appoint Director(s) is assessed, the Committee shall, as soon as reasonably practicable, recommend to the Board, sufficient number of candidates for appointment.
- (ii) The Committee shall review the profile of the prospective candidates for appointment as Director on the Board taking in consideration knowledge, experience, financial literacy / expertise, global market awareness, gender diversity and other relevant factors as may be considered appropriate. The Committee shall be guided by the Board Diversity Policy in this regard.
- (iii) The Committee shall also assess the Fit and Proper criteria of the prospective candidate as required under the RBI guidelines.
- (iv) If a director's position suddenly becomes vacant by reason of death or other unanticipated occurrence, the Committee shall convene a special meeting as early as possible to implement the process described herein above.
- (v) The Committee shall recommend to the Board the suitable candidate for appointment as Director(s) including recommendation as to the tenure, remuneration / compensation (in case of non-independent director) of such candidate.

5. AMENDMENTS

Any amendment to this Policy shall be done post obtaining approval from the Board.

It is hereby clarified that if and when any applicable laws concerning the subject matter of this Policy are promulgated, amended, enacted, re-enacted or modified, this Policy shall, unless otherwise prescribed, be deemed to be amended to take into account or to give effect to such promulgated, amended, enacted, re-enacted or modified applicable laws.