

Policy on Board composition, Compensation and connected matters

1) Preface

We, at Avanse believe that the corner stone of best governance practices is the board composition. We also believe that the synergy of versatile individuals with diversified skill sets at the board level has contributed a lot in bringing this Company into its present heights. Therefore our commitment to have a competent and highly professional team of board members leads us to put in place a policy on identification and retention of eminent personalities as our Board members.

In line with the statutory requirement under sections 149 and 178 of the Companies Act, 2013 and the regulatory frame work for Non-Banking Financial Companies (NBFC's) issued by Reserve Bank of India (RBI) the following policy is adopted for the time being to act as the guiding principles in the appointment of directors and the matters connected therewith.

2) Definitions

Unless the context otherwise requires, the following words and expressions shall have the meaning provided herein;

- i. Act - means the Companies Act, 2013 including any amendments and re-enactments as the case may be from time to time
- ii. Board - means the collective body of directors of the Company
- iii. Committee - means the committees of directors constituted by the Board
- iv. Director - means a director appointed on the board of the Company
- v. Fit and proper - means the fit and proper criteria prescribed by the Reserve Bank of India as an eligibility requirement to be satisfied by an individual to be appointed as a director of the Company
- vi. Independent director- means an independent director referred to in sub-section (6) of section 149 of the Companies Act, 2013
- vii. Nomination Committee - means the Nomination Remuneration and Compensation Committee of the Board

3) Policy Statements

a) Board Diversity

- i. The board of directors of the Company should have a fair combination of executive and non-executive directors.
- ii. The Company shall maintain the strength of independent directors on its board keeping in mind the regulatory requirements of Companies Act 2013, RBI regulations or NBFC's and other applicable regulations. The ratio of independent directors as per the present requirement is one third of the total strength of the board.
- iii. The Board shall have at least one woman director.
- iv. The Company shall appoint directors keeping in mind an ideal diversity in knowledge or expertise that could add value to the overall performance of the board and of the Company. The desired diversity may be fixed by the nomination committee based on the nature of business of the Company from time to time. The diversity of the total board may include expertise in the following;
 - i. Banking, Finance, Accountancy, Taxation.
 - ii. Governance, Regulatory background, Law and practice.

- iii. Management, Administration (including Civil Service).
- iv. Engineering, Human resource, Subject of social relevance.
- v. IT, Marketing.
- v. On selection of an independent director, the Chairman of the Board/ Managing Director shall issue a letter of appointment to the director and he shall also sign a deed of covenants in such format as may be prescribed by RBI.

b) Familiarization & Skill enhancement program for directors

The Board may on the recommendation of the nomination committee devise a familiarization program for directors so as to give a fair understanding about the Company, its business and the general industry environment in which the Company is operating. This may be arranged by way of interactive sessions with Chairman of the Board, senior directors, and other Key management personnel of the Company.

In addition to the familiarization program, the board may, if it thinks so, organize director's skill refreshment programs or workshop on topics relevant to the directors/Company or nominate to programs organized by industry associations or professional bodies.

c) Assessment of independence & Fit and proper criteria.

While considering the appointment of an independent director, the nomination committee and the board shall ensure that the incumbent satisfies the test of independence as provided under the Companies Act. The board shall on a continuous basis ensure that the independent directors continue to maintain their independence during their tenure on the board.

In case of appointment of executive directors, non-executive directors or independent directors, the nomination committee and the board shall ensure that they meet the fit and proper criteria prescribed by the Reserve Bank of India from time to time and maintains the position during their tenure in office. The Company shall obtain the declarations in the manner prescribed by RBI as applicable to the Company from time to time from all appointees and review the same.

d) Age and tenure of independent and non-executive directors.

The independent directors appointed in the Company will have a tenure of 5 years. They can be re-appointed for another term of 5 years in compliance with the applicable provisions of the Companies Act. The Company shall select only persons in the age group between 25 and 70 years for appointments to the position of non-executive directors.

e) Compensation of Executive and Non- executive directors

On the recommendation of the Nomination Committee, the board will fix the remuneration of non-executive directors (including independent directors)

The non- executive directors other than nominee directors shall be entitled for sitting fees for attending board/ committee meetings at such rate as may be approved by the board from time to time.

In addition to the sitting fees, the Company will bear or reimburse the normal travelling, boarding and lodging expenses of directors incurred for the purpose of attending board/ committee meetings or for attending any other duties on behalf of the Company.

Remuneration of executive directors shall be fixed by the Board on the basis of recommendation of the nomination committee. The remuneration of the executive directors shall be a combination of fixed monthly salary in terms of their appointment as approved by the board/ shareholders and a performance based annual commission to be decided by the board on the recommendation of the nomination committee.

The performance parameters to be applicable to the executive directors, the minimum and maximum amount of commission payable in line with the achievement of various targets/ parameters will be decided by the nomination committee from time to time.

f) Compensation plan for Key Management personnel (KMPs) and other senior management team members

The compensation structure of KMPs shall consist of fixed salary component at par with the industry standards and a performance linked incentive/ bonus payment to be decided and approved by the nomination committee.

The compensations structure shall be devised in a manner that will help the Company to attract and retain top talents to run the Company efficiently with a long term perspective.

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.

g) Amendment to the policy

The provisions of this policy may be amended by the board at any time on the recommendation of the nomination committee.