

**NOMINATION AND REMUNERATION POLICY
OF**

Navi Finserv Private Limited

(Formerly known as Chaitanya Rural Intermediation Development Services Private Limited)



Version No.	NRP/2.0/2021-22
Originally adopted Date of Policy	February 18, 2021
Amended/Modified Date of Policy	September 30, 2021
Policy owner	NR Committee
Approved by	Board of Directors
Signature	Sd-

NOMINATION AND REMUNERATION POLICY

Introduction

Navi Finserv Private Limited (Formerly known as Chaitanya Rural Intermediation Development Services Private Limited) (“**NFPL**” or the “**Company**”) has formulated this Nomination and Remuneration Policy (“**Policy**”) in compliance with Section 178 of the Companies Act, 2013 and guidelines of Reserve Bank of India (RBI) on Corporate Governance issued vide circular reference RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17.

Objectives

- To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a director (executive/non-executive/independent) of the Company;
- To lay out the remuneration principles for the Directors, KMP and other employees;
- To formulate the criteria for evaluation of the Directors and Key Managerial Personnel of the Company;

Definitions

In this Policy, the following terms shall have the following meanings:

“**Board**” means Board of Directors of the Company.

“**Committee**” means the Nomination and Remuneration Committee as constituted by the Board in accordance with the provisions of Section 178 of the Companies Act.

“**Companies Act**” means the Companies Act, 2013 and the rules and regulations thereunder.

“**Director**” means a director appointed to the Board of the Company.

“**Independent Director**” means a Director referred to in Section 149(6) of the Companies Act.

“**Key Managerial Personnel**” or “**KMP**” means

- (i) the chief executive officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the chief financial officer; and
- (v) 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
- (vi) such other officers as may be prescribed under the Companies Act.

“**Remuneration**” means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income Tax Act, 1961.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act and any regulations as notified by SecuritiesExchange

Board of India as may be amended from time to time shall have the meaning respectively assigned to them therein.

Nomination & Remuneration Committee

The Board has constituted the Nomination and remuneration Committee of the Board in line with the requirements under the Companies Act 2013. The Board has authority to reconstitute this Committee from time to time. The Committee shall consist of three or more non-executive directors out of which not less than one half shall be independent directors.

The roles and responsibilities of the Committee shall inter alia include:

1. Recommend to the Board the framework for broad policy setting out criteria for determining qualifications, positive attitudes and independence of a director and recommend to the Board a policy, relating to remuneration for the Directors, Key Managerial Personnel and other employees;
2. Review on an on-going basis appropriateness, relevance of the remuneration policy and ensure 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;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - remuneration to Directors, Key Managerial 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
3. Identify persons who are qualified to be Directors in accordance with “Fit and Proper Criteria” as provided in the “Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions” and the Companies Act 2013 or any amendments thereof from time to time for their appointment;
4. Identify persons who are qualified to be appointed as Key Managerial Personnel as per the criteria as laid down by Board for their appointment;
5. Institutionalize a mechanism for the removal/ dismissal of Directors and lay down selection criteria of director or key managerial personnel.
6. Ensure persons proposed to be appointed on the Board do not suffer any disqualifications for being appointed as a director under the Companies Act, 2013;
7. Review and carry out the annual evaluation of Directors on the Board of the Company.
8. Plan for the succession planning for Directors in the course of its work, taking into account the challenges and opportunities faced by NFPL, and what skills and expertise are therefore needed on the Board in the future;
9. Be responsible for identifying and nominating candidates to the Board to fill any vacancies as and when they arise;

10. Review the leadership needs of the organization, both executive and non-executive;

The purpose and responsibilities of the Committee shall include such other items as may be prescribed by applicable law or by the Board in compliance with applicable law from time to time.

General

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

Part – B covers the appointment and removal of Directors and Key Managerial Personnel; and

Part – C covers remuneration for Directors, KMP and other employees.

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

- (a) **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.
- (b) **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. Succession plans: Establishing and reviewing Board and KMP succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Management.
- (c) Remuneration framework and policies:

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

- a. Remuneration of executive 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 including base pay, incentive payments, equity awards, retirement rights, severance pay if any and service contracts 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 including a consideration for performance should meet thresholds as set out in applicable law and meet market requirements.

Part – B POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR AND KMP

Appointment Criteria and Qualifications:

A person should possess adequate qualification, expertise and experience for the position they are 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.

A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.

The Company shall not appoint or continue the employment of any person as Managing Director / executive Director who has attained the age of sixty years. Provided that the term of the person holding this position may be extended at the discretion of the committee beyond the age of sixty years/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 sixty years/seventy years as the case may be.

Appointment of Director

The management shall assess the candidature of a person to be appointed as a Director as per the internal supervisory assessment process for facilitating due diligence on proposed director. The assessment report along with the required documents shall be submitted to the Committee . The Committee shall consider the following factors to nominate a potential candidate for appointment as a director on the Board:

- Educational Qualification
- Experience and field of Technical Expertise
- Relevant Background and Integrity
- Potential conflicts of Interest and Independence
- Relevant records of professional Achievements
- Legal Proceedings. If any, against the Candidate/ Director
- Terms and Qualifications prescribed under other RBI Directives, Companies Act 2013 or any other Statute as may be applicable
- Signed Deeds and/ Declarations submitted by the Candidate/ Director.
- Internal assessment report on the candidature of the proposed director.
- Such other factors/documents/information as the Committee may require;

The Committee shall also evaluate the fit and proper criteria as required under RBI regulations and other regulations as applicable to the Company.

Term / Tenure:

- 1. Managing Director/Whole-time Director:** The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
- 2. Independent Director:**

- i. 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.
- ii. 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. However, if a person who has already served as an Independent Director for 5 years or more in the Company or such other date as may be determined by the Committee as per regulatory requirement, they shall be eligible for appointment for one more term of 5 years only.
- iii. At the time of appointment of Independent Director, it should be ensured that the number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

Appointment of Key Managerial Personnel

The management shall assess the candidature of a person to be appointed as a Key Managerial Personnel as per the internal process for facilitating due diligence on the proposed KMP. The assessment report along with the required documents shall be submitted to the Committee. The Committee shall consider the following factors to nominate a potential candidate for appointment as a KMP on the Board:

- Internal assessment report on the proposed candidate as submitted by the Management.
- Educational Qualification
- Experience and field of Technical Expertise
- Relevant Background and Integrity
- Relevant records of professional Achievements
- Legal Proceedings. If any, against the Candidate/ Director
- Terms and Qualifications prescribed under other RBI Directives, Companies Act 2013 or any other Statute as may be applicable
- Such other factors/documents/information as the Committee may require;

Evaluation:

The Committee shall carry out an annual evaluation of the performance of every Director and Key Managerial Personnel. The Chairperson of the Committee, with the support of the Company Secretary of the Company, shall organise the evaluation process and accordingly conclude the steps required to be taken for evaluation of the Directors.

The Committee shall consolidate and share the annual evaluation with their comments to the Board of the Company.

Removal:

Due to reasons for any disqualification mentioned in the Companies Act or any other applicable law, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director or Key Managerial Personnel subject to the provisions and compliance of the said Act, rules and regulations.

Retirement:

Each Director and Key Managerial Personnel shall retire as per the applicable provisions of the Companies Act and the prevailing policy of the Company. The Board will have the discretion to retain any Director or Key Managerial Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the company.

Part – C covers remuneration for Directors, KMP and other employees.

Remuneration to Executive Directors and Key Managerial Personnel

The Board, on the recommendation of the Committee, shall review and approve the remuneration payable to the Executive Directors of the Company.

The remuneration and commission to be paid to the Directors shall be in accordance with the provisions of the Companies Act 2013. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board in the case of the Managing Director/ Whole-time Director.

Where any insurance is taken by the Company on behalf of its Directors and KMP for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

Remuneration to Non-Executive Directors and Independent Directors

The Board on the recommendation of the Committee, shall review and approve the remuneration payable to the Non-Executive Directors of the Company. Non-Executive Directors may be entitled to sitting fees for attending the meetings of the Board and the Committees thereof. The Non-Executive Directors may also be entitled to profit related commission in addition to the sitting fees.

The Independent Directors are entitled for the sitting fees as may be decided at the time of their appointment and are not entitled for any profit related commission or any stock options.

Remuneration to Other Employees

The compensation for other employees would be as per the HR policy of the Company, as revised through the annual compensation review process from time to time and approved by the Chief Executive Officer in consultation with the HR.

Policy review

This Policy is framed based on the provisions of the Companies Act. In case of any subsequent changes in the provisions of the Companies Act or any other applicable law which makes any of the provisions in the Policy inconsistent with the Companies Act or other applicable law, then the provisions of the Companies Act or other applicable law would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with applicable law.
