Nomination, Remuneration & Compensation Policy

Digamber Capfin Limited

DOCUMENT CONTROL PAGE

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1. PREFACE

In accordance to the provisions of Section 178 of the Companies Act, 2013 ("Act"), Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("Master Directions") and Scale Based Regulation (SBR) read with 'Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs' issued by the Reserve Bank of India ("RBI Guidelines") as applicable and as amended from time to time

2. OBJECTIVE OF POLICY

As a philosophy, the Company believes that employees are important to an organization's success as they are the ones who are directly responsible for carrying out an organization's mission. The Company recognizes that while appropriate remuneration and compensation should be paid to attract and retain the right quality of talent, yet compensation should not become the single most over-riding criteria of relationship between the employee and the company. Accordingly, the company shall strive at all times to create an atmosphere of trust, empowerment and performance-based reward which will draw and retain right talent in the organization.

In accordance with the provisions of the Companies Act, 2013 and rules, Circulars, Directions, guidelines issued by RBI thereunder and other applicable laws and regulations, it is required to have a Board approved policy for the Nomination and Remuneration of Directors, Key Managerial Personnel (KMP), Senior Management Personnel (SMP) and other employees of Company. The compensation structure forms the part of this policy.

The Key Objectives of this policy would be as follows:

- Ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate captioned employees of the quality required to run the Company successfully.

- Ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

- Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Propercriteria' of directors before their appointment and on a continuing basis.

- To formulate criteria for evaluation of performance of the members of the Board including Independent Directors and provide necessary report to the Board for further evaluation of the Board.

- To provide Key Managerial Personnel, SMP and other employees reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

- To retain, motivate and promote talent and to ensure long-term sustainability of talented managerial persons and create competitive advantage.

- To determine whether to extend or continue the term of appointment of the Independent Director(s), on the basis of the report of performance evaluation of Independent Directors.

- To ensure that compensation packages are aligned effectively with prudent risk taking so that compensation is adjusted for all types of risks.

- To ensure the inclusion of fixed and variable pay structures and Malus/Clawback provisions.

- The NRC may work in close coordination with Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risks.

3. APPLICABILITY

The Provisions of this framework shall be applicable Digamber Capfin Ltd (the Company) started operations as an NBFC in 1995 with the mission of providing a range of financial services. The Company engaged in lending activities as Non-Banking Finance Company (NBFC) regulated by the Reserve Bank of India ('RBI'). The Company had obtained its license from Reserve Bank of India (RBI) to operate as NBFC-MFI on 6th September,2013 vide registration No. RBI B-10.00099. As per Scale Based Regulation (SBR), A Revised Regulatory Framework for NBFCs dated October 22, 2021 and applicable provisions to the Company, the Company falls under the category of Middle Layer (hereinafter referred to as 'NBFC-ML').

4. DEFINITION

a) **'Board'** means Board of Directors of the Company.

b) **'Directors'** means the 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 provisions of Applicable Law.

d) **"Company"** means Digamber Capfin Limited

e) '**Independent Director'** means a Director referred to in Section 149(6) of Act and rules made there under and applicable regulations/provisions and RBI guidelines and SEBI LODR Regulations as applicable to the extent.

f) **'Key Managerial Personnel (KMP)**' shall mean the officers of the Company as defined in Section 2(51) of the Companies Act: -

- ❖ the Chief Executive Officer (CEO) or the managing director or the manager;
- ❖ the Company Secretary;
- ❖ the Whole-Time Director;
- ❖ the Chief Financial Officer (CFO); and
- ❖ 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;

g) **'Senior Management Personnel (SMP)'** means 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 functional heads.

h) **"Malus"** means an arrangement where the Company prevents the vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.

i) **"Clawback'** means a contractual agreement between the Employees and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances

5. CONSTITUTION OF NOMINATION & REMUNERATION COMMITTEE:

Subject to approval by the board, the Nomination & Remuneration Committee ("Committee") is responsible for formulating and making the necessary amendments to the Nomination & Remuneration Policy for the Directors, Key Managerial Persons

(KMP), Senior Managerial Personnel (SMP) and other employees of the Company from time to time.

The Committee shall carry out such functions and responsibilities as may be approved by the Board in the Terms of Reference of the Nomination and Remuneration Committee.

6. APPOINTMENT CRITERIA AND QUALIFICATIONS

A) DIRECTORS:

- The Company will undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board of directors of the Company, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.

- The Company will obtain the necessary information, declarations and undertakings from the proposed / existing director for the purpose of such due diligence in the format as prescribed in the RBI guidelines and as per Companies Act 2013

- The Committee shall ensure that such person should possess adequate qualification, expertise and experience for the position for which he / she is being considered for appointment.

- The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the position.

- The Company will undertake the process of due diligence at the time of appointment of the director by scrutinizing the declarations received and at the time of renewal of appointment of any director.

- The Company shall not appoint or continue the employment of Director 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

- The re-appointment / extension of term of the Director shall be on the basis of their performance evaluation report.

B) INDEPENDENT DIRECTORS

- The director's independence for the independent director will be determined by the Board on an annual basis upon the declarations made by such director as per the provisions of the Act read with Rules thereon and RBI Guidelines. Each director has an affirmative obligation to inform the Board of any change in circumstances that may put his/her independence at issue.

- The Independent Director who intends to get appointed as an independent director in a company, shall before such appointment, apply online to the institute for inclusion of his name in the data bank for a period of one year or five years or for his life-time, and from time to time applies for its renewal till he continues to hold the office of an independent director in any company.

- The independent director shall not be on the Board of more than three NBFCs (NBFC- ML or NBFC-UL) at the same time. Further, the Board of the Company shall ensure that there is no conflict arising out of their Independent Directors being on the Board of another NBFC at the same time.

C) KMP AND SENIOR MANAGEMENT

- Except for directorship in a subsidiary, KMPs shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL.

- Identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as KMP's/SMP's and recommend the same to the Board/ Committee his / her appointment along with the remuneration, in whatever form as may be payable.

- Ensure that such person should possess adequate qualification, expertise and experience for the position for which he / she is being considered for appointment.

- The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the position.

7. TERM / TENURE

A) CHAIRMAN/MANAGING DIRECTOR/WHOLE-TIME DIRECTOR:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Whole-time Director for a term not exceeding five years at a time or as may be prescribed under the Act. No re-appointment shall be made earlier than one year before the expiry of term.

B) INDEPENDENT DIRECTOR:

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and shall be eligible for re-appointment on passing of a special resolution by the Company, recommendation of committee based on the report of performance evaluation of Independent Director and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of two consecutive terms of three years of ceasing to become an Independent Director. 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.

At the time of appointment of Independent Director, it should be ensured that 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 or such other number as may be prescribed under the Act.

8. EVALUATION

The Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance pursuant to the provisions of Companies Act and RBI guidelines and any other regulations as applicable to the company.

The Committee shall carry out evaluation of performance of the Board, Committee and Individuals of it at regular interval (yearly).

Evaluation of all the SMPs and KMPs (other than Board members) shall be carried out in accordance with the Key Performance Indicators defined and agreed to in this regard, in the manner as deemed fit by the Board/ Committee.

The Committee may recommend, to the Board with reasons recorded in writing, removal of a Managerial Personnel, Director, KMP or Senior Management subject to the provisions of Companies Act, 2013, and all other applicable Acts, Rules and Regulations, if any.

9. REMOVAL

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, 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 and regulations.

10. RETIREMENT

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

11. REMUNERATION & COMPENSATION STRUCTURE:

A) REMUNERATION TO NON-EXECUTIVE /INDEPENDENT DIRECTOR:

The remuneration/ compensation/ commission etc. will be determined by the Committee and recommended to the Board for approval. The remuneration/ compensation/ commission etc. shall be subject to the prior/post approval of the shareholders of the Company

- **Remuneration/ Commission**

The remuneration to Non –Executive Directors to be paid shall be in accordance with the percentage/ limits/ conditions laid down in the Articles

of Association of the Company and as per the provisions of the Companies Act, 2013 ("the Act") Master Directions and RBI guidelines, and the rules made there under for the time being in force.

- **Sitting Fees**

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed such amount as may be recommended by Nomination and Remuneration Committee and approved by the Board from time to time subject to the limits as prescribed under the Companies Act, 2013.

In case the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, it shall be subject to the approval of shareholders by special resolution

- **Commission**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

- **Stock Options**

An Independent Director shall not be entitled to any stock option of the Company.

- **Other Benefits**

Non-Executive Directors including Independent Directors are reimbursed travel (excluding foreign travel) and other out of pocket expenses incurred by them for participation in the Boards/Shareholders and committee meetings of the Company, if any.

Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration, and following conditions shall be satisfied:

i. The Services are rendered by such Director in his capacity as the professional; and

ii. In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.

- **Familiarization program for independent directors**

The Company shall familiarize the Independent Directors with the company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the company, etc., through various programs.

B) REMUNERATION TO EXECUTIVE DIRECTORS

- **The remuneration/ compensation/ commission**

The remuneration/ compensation/ commission etc. to the Chairman/ Managing Director/other Whole-time Director/ CEO will be determined by the Committee and recommended to the Board for approval. The remuneration/ compensation/ commission etc. shall be subject to the prior/post approval of the shareholders of the Company

The Chairman/ Managing Director/other Whole-time Director/ CEO shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee in accordance with the statutory provisions of the Act, the rules made there under, Master Directions and RBI guidelines for the time being in force.

- **Minimum Remuneration**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Chairman/Managing Director/Whole-time Directors in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

- **Provisions for excess remuneration**

Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the Shareholders and in accordance with the provisions of Section 197 and Schedule V of the Act, Master Directions and RBI guidelines, and the rules made there under for the time being in force.

If any Chairman/Managing Director/Whole-time Directors draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

- **Stock Options**

The Managing Director and Whole Time Director may also be offered options under the Company's Employee Stock Option Schemes as may be in force from time to time (if any occurred in future) subject to provisions by various statutory authorizes as applicable to the company with their modifications, if any, including but not limited to regulations prescribed by the Companies act, 2013 with its rules, and guidelines provided by Reserve Bank of India for this purpose. Only such employees of the Company and its subsidiaries as approved by the Nomination and Remuneration Committee will be granted ESOPs.

C) COMPENSATION STRUCTURE

Remuneration to KMP, Senior Management and other Employees:

The compensation of KMP, Senior Management and other Employees needs to be reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices. The compensation packages shall comprise of fixed and variable pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the

mix of cash, equity and other forms of compensation are consistent with risk alignment.

A formal annual performance evaluation process is applicable to all employees, including Key Executives. Increase in the remuneration of employees is affected based on an annual review taking into account performance of the employee and the performance of the Company also.

The compensation of KMP, Senior Management and other Employees is made in accordance with the HR Policy adopted by the Company

The compensation structure shall broadly comprise of the following components:

Fixed Pay

The Committee will ensure that the fixed portion of compensation is reasonable, taking into account all the relevant factors including the industry practice. The Fixed Pay of the Company would typically consist of elements like basic salary, contributions, other allowances and retirals. Other allowances include house rent allowance, conveyance allowance, car maintenance and fuel expenses, domiciliary medical allowance, leave travel allowance, supplementary allowance, meal allowance, etc (for applicable employees) or any other allowance(s) introduced from time to time as may be defined in the Human Resources policy and as may be approved by the Board.

All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements as may be defined in the Human Resources policy and as may be approved by the Board. The quantum of fixed pay based on the above considerations will be decided by the management and reviewed by the Nomination and Remuneration Committee and the Board.

Further, the company provides following Defined Contribution and Defined Benefit Plans:

a. Provident Fund – Statutory, Defined Contribution Plan

b. Gratuity – Statutory, Defined Benefit Plan

c. Any other additional benefit as approved by the Committee of the Board.

Variable Pay

The variable pay budget is determined based on the Company's capacity to pay. The extent of variable pay for individual employees is linked to individual performance for sales frontline employees and to individual and Company's performance for non-sales frontline employees and employees in the management cadre. Hence, variable pay serves as an effective instrument for managing employee costs in line with business cycles whilst simultaneously reinforcing a meritocratic performance culture.

Variable pay for sales and non-sales frontline employees and employees in the management cadre are given in the form of PLR (Performance Linked Reward). The performance rating assigned is based on assessment of performance delivered by the employees as per standards as approved by committee/ Board. The variable pay differs from individual to individual in cap of 5% to 30%

Further, the variable pay for sales frontline employees is also given in the form of sales incentives. Sales incentive payouts are based on individual performance targets as may be defined from time to time and affordability considerations.

The Company may in its discretion structure any portion of remuneration to link rewards to corporate and individual performance, fulfilment of specified improvement targets or the attainment of certain financial or other objectives set by the Board/Company. The amount payable shall be based on performance against pre- determined financial and non-financial metrics. Such metrics and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.

Here front line Employee means Employees in Business Operations for designation Regional Manager & above role and Employees in Strategy operations for designation Manager and Above Role

Long-term pay:

At higher levels of responsibility, the proportion of variable pay shall be higher. The variable pay shall be truly and effectively variable and may be reduced to zero based on performance at an individual, business-unit and company-wide level.

The Company's long-term pay schemes are designed to encourage institution building among employees. Long-term pay may be administered either through the Company's employee stock option scheme or long-term reward scheme of the Company.

Stock options may also be granted to new employees at the time of their joining on a case-to-case basis with a view to attract high potential talent based on factors such as potential and skills. The final decision on the same will be of the committee or the Board of the Company.

Therefore, set by reference to local market practice in India and are in alignment with the Company' s strategy which would be individually determined based on criticality of the function, capabilities of the individual concerned and overall compensation of such persons in similar peer organizations.

12. COMPENSATION OF CONTROL & ASSURANCE FUNCTION PERSONNEL:

The KMPs and senior management engaged in financial control, risk management, compliance and internal audit shall be compensated in a manner that commensurate with their key role in the company and the role they play in the business of the Company. Accordingly, such personnel shall have higher proportion of fixed compensation. However, a reasonable proportion of compensation shall be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

Where any insurance is taken by the Company or its Holding Company on behalf of the Company's Managerial Person, KMP and Senior Management 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.

13. GUARANTEED BONUS:

Guaranteed bonus may be paid to KMPs and senior management. Also in the context of new hiring /joining/sign-on bonus can be considered under Annual CTC. Such bonus will neither be considered part of fixed pay nor of variable pay. The final decision on the same will be of the committee.

14. ALIGNMENT OF REMUNERATION:

The Committee strives to ensure that the remunerations of the Directors, Senior Executives, Middle and lower-level employees of the company are reasonably aligned and the difference between the highest and lowest paid employees in the company are kept at reasonable multiples. Such reasonable multiples would be determined from time to time based on industry trends and developments around the world on fair compensation practices.

15. POST-RETIREMENT BENEFITS:

All the employees are entitled for retirement benefits such as provident fund and gratuity as per applicable law.

16. MALUS CLAUSE/ CLAWBACK:

Malus & Clawback provisions shall be applicable which would enable the Committee to reduce or cancel unvested awards and recover previously paid compensation

The component of compensation which can either be ESOPs or cash rewards will be subject to malus/clawback arrangements in the event of:

- Subdued or negative financial performance of the Company, as determined by the Committee
- Material restatement of the Company's financials or any other materially inaccurate performance metrics.
- Material losses for the Company due to reckless / negligent or willful risk taking or other inappropriate action or behaviour by the relevant employee; and
- Misconduct or fraud committed by the relevant employee.
- Reputational harm
- Such other conditions or events, of similar nature as above, as determined by NRC for triggering review by NRC for the purpose of application of the Malus or the Clawback arrangement
- Exercise his/her responsibilities in a mala fide manner.
- Unfairly obstruct the functioning of the Company which may affect the material decision.
- Non-disclosure in case of conflict of interest
- Breach of Contract / violation of non-disclosure agreement
- Misconduct in Non adherence to Systems and procedures including internal guidelines / policies

17. FIT AND PROPER CRITERIA

The Nomination and Remuneration Committee shall undertake a process of Due Diligence based on the criteria of qualifications, technical expertise, track record, integrity etc. The basic objective of ascertaining the fit and proper criteria shall be to put in place an internal supervisory process on a continuing basis and to determine the suitability of the person for appointment / continuing to hold appointment as a Director of the Board of the Company. The Candidate at the time of appointment and at the time of the renewal of Directorship shall fill in such form as approved by the Nomination and Remuneration Committee to enable the Committee undertake such exercise of ensuring the 'Fit and Proper Criteria'. Further, the Company has adopted the separate policy on Fit and Proper criteria as prescribed under RBI Guidelines which is to be adhered at the time of appointment and/or reappointment.

The Committee shall undertake such Due Diligence exercise at the time of appointment of the Directorships of the incumbent.

18. REVIEW:

The Board of Directors on yearly basis shall review this policy and can amend this Policy as and when dee med fit from time to time.

19. CONTENT ON THE WEBSITE:

Appropriate disclosure regarding this Policy shall be made on the Company website at https://www.digamberfinance.com/code.php

The information published in the website should be updated whenever there is a change in the policy.

20. AMENDMENT:

In case of any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities not being consistent with the provisions laid down in this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions herein and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

21. POLICY REPEALABLE:

This policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this policy being held to be a violation of any applicable law, statute or regulation, the same shall be repeal able from the rest of this policy and shall be of no force and effect, and this Criteria shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

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