

KOGTA FINANCIAL (INDIA) LIMITED

NOMINATION AND REMUNERATION POLICY

Version History		
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Version	Name of Policy/Document	Date of Approval
1.0	NOMINATION AND REMUNERATION POLICY	June 18, 2020
2.0	NOMINATION AND REMUNERATION POLICY	May 19, 2021

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1. Introduction

Kogta Financial (India) Limited ('the Company' or "Kogta" or "KFL") is a Non-Banking Financial Company ('NBFC') having valid Certificate of Registration with Reserve Bank of India ('RBI') vide registration no. B.10.00086 dated May 27, 2016 under current RBI classification as NBFC - Investment and Credit Company (NBFC-ICC) – Non Deposit taking Systemically Important ('ICC-ND-SI') with more than 20 years of experience in asset finance business.

It is focused on offering financing of all kind of commercial vehicles (HCV, LCV, MUV, SCV), Cars, Tractors, Two-wheelers and MSME & Loan against property segment.

2. Regulatory Requirement

The Nomination and Remuneration Policy ("Policy") is being formulated in compliance with Section 178 of the Companies Act, 2013 read with applicable rules thereto, as amended from time to time. This Policy is intended to set out criteria to pay equitable remuneration to the Directors, Key Managerial Personnel (KMP), senior management (as defined below) and to harmonise the aspirations of human resources with the goals of the Company.

This policy shall act as guidelines on matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel and Senior Management.

3. Objective

This objective of the policy is to ensure that: -

- i. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors to run the Company successfully.
- ii. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- iii. Remuneration to directors, key managerial personnel and senior management 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.

This includes reviewing and approving corporate goals and objectives relevant to the compensation of the executive Directors, evaluating their performance in light of those goals and objectives and either as a committee or together with the other independent Directors (as directed by the Board), determine and approve executive Directors' compensation based on this evaluation; making recommendations to the Board with respect to KMP and Senior Management compensation and recommending incentive-compensation that are subject to approval of the Board.

4. Definitions

- a. '**Board**' means Board of Directors of the Company.
- b. '**Directors**' means 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 Act.
- d. '**Independent Director**' means a Director referred to in Section 149(6) of the Companies Act, 2013 and rules.
- e. 'Key Managerial Personnel (KMP)' shall mean the officers of the Company as defined in Section 2(51) of the Act: -
 - i. the Chief Executive Officer (CEO) or the managing director or the manager;

- ii. the company secretary;
 - iii. the whole time director;
 - iv. the Chief Financial Officer (CFO);
 - 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 officer as may be prescribed]
- f. Senior Management 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, i.e. Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Company Secretary.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

5. Constitution of the Nomination and Remuneration Committee

The Board has the power to constitute/reconstitute the Committee from time to time in order to make it consistent with Company's policy and applicable statutory requirements. As per the Companies Act, 2013 ("Act"), Nomination and Remuneration Committee ("Committee") shall consist three or more non-executive directors out of which not less than one-half shall be independent directors. Further details of members of the Committee shall be disclosed in the Board Report.

6. Role of the Committee

The Nomination and Remuneration Committee shall: -

- i. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down;
- ii. Recommend to the Board their appointment and removal;
- iii. 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;
- iv. To formulate the criteria for determining qualifications, positive attributes and independence of a director;
- v. To recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- vi. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

7. Meetings of the Committee

The meeting of the Committee shall be held at regular intervals as deemed fit and appropriate. The Company Secretary of the Company shall act as the Secretary of the Committee. The Chairman of the Committee or in his absence any other member of the Committee authorized by him on his behalf shall attend general meetings of the Company.

A member of the Committee is not entitled to participate in the discussions when his/her remuneration is discussed at a meeting or when his/her performance is being evaluated and the Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. Policy for Remuneration to Directors/KMP/Senior Management Personnel

1. Remuneration to Managing Director / Whole-time Directors

- a) The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Directors, etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the members of the Company.
- b) The Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.

2. Remuneration to Non-Executive & Independent Directors: -

a) Sitting Fees:

The Independent Directors of the Company are entitled to sitting fees as determined by Board from time to time for attending Board / Committee / general meetings thereof in accordance with the provisions of the Companies Act, 2013 and rules made thereunder.

b) Commission: -

The profit-linked/related commission shall be paid within the monetary limit approved by the shareholders of the Company.

- c) An Independent Director shall not be eligible to get Stock Options and also shall not be eligible to participate in any share based payment schemes of the Company.
- d) 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.

3. Remuneration to Key Managerial Personnel and Senior Management

- a) The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.
- b) The fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from to time, by the Managing Director of the Company as per the Company's Policy.
- c) The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

9. Terms and Tenure

1. Managing Director / Whole-time Director / Manager (Managerial Person): -

The Company shall appoint or re-appoint any person as its Managerial Person 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: -

An Independent Director may 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.

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.

10. Performance Evaluation

The Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors of the Company.

The Board of Directors shall carry out the performance evaluation of every individual director except the director being evaluated, along with its various Board Committees and Board as whole.

Evaluation performance should be carried out at least once in a year accordance with the above manner.

11. Removal

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act and rules.

The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position/remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

12. Review

The Company's CEO, CFO and COO have been entrusted with the responsibility of enforcement of this policy. They are hereby given absolute power to jointly or severally, make necessary changes, amendments or additions or removals for the operational aspects of the policy within the overall spirit and guidance from time to time for reasons like technology or process upgradation, regulatory changes, maintaining competitive edge or responding to changes in market or risk environment, etc. This is required to ensure full operational freedom to the senior management and make the management team more adaptive to rapid changing external environment. All changes so made shall be noted to the policy approving authority during the next policy review.

The CEO, CFO and COO can decide on delegation of authority and can design / redesign MIS systems and reporting as they see fit to improve the responsibility and accountability within the team hierarchy.