

GOVERNANCE POLICIES FOR BOARD OF DIRECTORS, KMP & SENIOR MANAGEMENT APPOINTMENTS, REMUNERATION & EVALUATION

1. OBJECTIVE

As a measure of good Corporate Governance and in compliance with the provisions of Section 178 of Companies Act 2013, the following policies are formulated:

- 1.1 Policy on appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- 1.2 Policy on Remuneration to the Directors, Key Managerial Personnel, Senior Management and other Employees
- 1.3 Policy on Directors Training
- 1.4 Policy on Board Diversity;

2. DEFINITIONS

The definitions of some of the key terms used in this Policy are given below.

“Company” or “Northern Arc” means the Northern Arc Capital Limited and its present and future subsidiaries.

“Committee(s)” means Committees of the Board for the time being in force.

“Employee” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“HR’ means the Human Resource department of the Company.

“Key Managerial Personnel” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013.

“Nomination and Remuneration Committee” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“Senior Management” means the Chief Risk Officer, Chief Officer – Strategic Alliances, Chief Technology Officer, Chief Business Officer, Chief Accounts and Audit Officer, Chief Legal Counsel, Chief People Officer, Business Head, Director & Head Markets and the Director and CEO of subsidiary companies.

3. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMPs AND SENIOR MANAGEMENT

3.1 Directors

- The NRC determines the criteria for appointment to the Board and is vested with the authority to identify candidates for appointment to the Board of Directors. In evaluating the suitability of individual Board member, the NRC will take into account multiple factors, including general understanding of the business, education, professional background, personal achievements, professional ethics and integrity. The NRC will also ensure that the proposed director fulfils the fit and proper criteria laid down by the Reserve Bank of India as well as the fit and proper policy of Northern Arc.
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman / MD & CEO will interact with the new member to obtain

his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made there under.

3.2 Key Management Personnel

- The authority to identify right candidates for the appointment of CFO and CS is vested with the MD & CEO. The HR will facilitate in identifying the candidates internally or externally. NRC will consider the candidates proposed by the MD & CEO and recommend to the Board for its consideration and appointment in accordance with the applicable provisions of the Act and Rules.
- In case of MD & CEO's appointment, NRC will initiate the process of identifying the new candidate, which can be an internal or external candidate, for the respective position. After identification and screening of the candidate, NRC will propose the candidature to the Board for its consideration and for appointment subject to the approval of the Shareholders and Regulatory Authority, if any.

3.3 The Senior Management personnel are appointed and removed/relieved with the authority of MD & CEO based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed/relieved during a quarter shall be presented to the Board as part of update on Corporate Governance.

3.4 Removal of Board of Directors and KMPs - If a Director or a KMP is disqualified as per any provision mentioned in any of the applicable Act, rules and regulations thereunder or due to non-adherence to the applicable policies of the company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director or a KMP subject to the compliance of the applicable statutory provisions.

4. REMUNERATION TO DIRECTORS, KMPs, SENIOR MANAGEMENT PERSONNEL & OTHER EMPLOYEES:

4.1 Non-Executive Directors:

The NRC shall decide the basis for determining compensation, both Fixed and Variable, for Non Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as Director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and such other factors as the NRC may consider deemed fit for determining the compensation. The Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Companies Act and the Rules made thereunder, subject to the approval of the shareholders.

4.2 Executive Directors: The remuneration to Executive Directors, MD & CEO shall be recommended by NRC to the Board. The remuneration consists of both Fixed compensation and Variable compensation and shall be paid as salary, commission, performance bonus, perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the Fixed compensation is determined at the time of their appointment, the Variable compensation and Increment will be determined annually by the NRC based on their performance. The Company may also grant Stock Options to the Directors subject to the compliance of the applicable statutes and regulations and approval of the NRC and Board.

4.3 Remuneration to KMP, Senior Management personnel and Other Employees

The overall remuneration to the employees includes a Fixed component (Guaranteed Pay) and a Variable component (Performance pay).

The remuneration for KMPs - CFO and CS will be proposed by the MD & CEO to the NRC consistent with the strategy of the Company and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.

Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company follows an extensive annual performance management system to review the performance of the employees /Senior Management and provide rewards on the basis of meritocracy.

The Cost To Company (CTC) is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- Performance
- Potential
- Criticality of Role
- Responsibilities undertaken

Eligible employees will be rewarded with an annual increment and Variable bonus. This annual Increment and Variable bonus is based the performance of the company, the annual performance appraisal of the employees during the financial year and general trends in the Industry, etc.

The annual increment and Variable Bonus for the Senior Management/employees shall be proposed by Chief People Officer, discussed with and approved by the MD & CEO.

Post obtaining approval from the MD and CEO, the Chief People Officer shall make a presentation to the NRC on the proposed annual increments and Variable Bonus.

The Stock Option grants to the employees are approved by the NRC based on the recommendation of the Chief People Officer and the MD & CEO;

5. POLICY ON AWARENESS TRAINING TO THE INDEPENDENT DIRECTORS:

The Independent directors at the time of their co-option shall be provided with a personal orientation by the senior management. They will also be provided with the material/literature regarding the Company's business and its operations, governing documents, information on key personnel and financial information to familiarize them with the Company. Their appointment letter will provide their roles and responsibilities in the Company. The Quarterly Board Meetings will contain an agenda item on 'Business Updates' which provides development in the business strategy of the Company among others. The Chairman depending on the business needs may also nominate Independent Directors for relevant external training programs.

6. BOARD'S DIVERSITY

A truly diverse Board will make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. The Board appointments should be based on merit that complements and expands the skills, experience, expertise of the Board as a whole, taking into account knowledge, professional experience, qualifications, gender, age, cultural, educational background, statutory /

regulatory requirement and any other factors that might be relevant and applicable from time to time for it to function effectively. NRC considers the functional diversities in determining the optimum composition of the Board.

7. AMENDMENT

The Policies may be changed at any time by the Board on the recommendation of NRC. However, the NRC shall have the authority to change the Evaluation Form at any time during the year with the objective of seeking more inputs from the Individual Directors.
