

PAHAL FINANCIAL SERVICES PRIVATE LIMITED

Nomination & Remuneration Policy

The Nomination & Remuneration Policy is approved by the Board of Directors at its Meeting held on 5th May 2023

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Nomination & Remuneration Policy

1. Introduction

In terms of Section 178 of the Companies Act, 2013 this policy has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors.

This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a director, matters relating to the remuneration, appointment, removal, and evaluation of performance of the Directors, Key Managerial Personnel, Senior Management and other employees.

2. Role of Committee

The role of the Committee shall be:

- 2.1** To determine the Fit & Proper Criteria for Directors as per RBI/DNBR/2016-17/45 Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016 updated as on December 29, 2022 at the time of Appointment and on Quarterly basis.
- 2.2** Formulation of criteria for evaluation of Independent Directors and the Board;
- 2.3** Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal and 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 Committee or by an independent external agency and review its implementation and compliance.;
- 2.4** To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- 2.5** To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board;
- 2.6** To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management;
- 2.7** To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations;
- 2.8** Devise a policy on Board diversity;
- 2.9** Develop a succession plan for the Board and to regularly review the plan;
- 2.10** Formulation of criteria for determining qualifications, positive attributes and independence of a director;
- 2.11** 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.

- 2.12** Oversee the framing, review, and implementation of Compensation Policy as per RBI Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs bearing No. RBI/2022-23/36 DOR. GOV. REC. No. 29/18. 10.002/2022-23 dated April 29,2022.
- 2.13** To work in close coordination with Risk Management Committee (RMC) of the Company to achieve effective alignment between compensation and risks.

The Nomination and Remuneration Policy has been formulated in order to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.

In the context of the aforesaid criteria the following policy has been formulated by the Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on 5th May 2023.

3. COMPOSITION OF NOMINATION & REMUNEERATION COMMITTEE

The composition of the Nomination & Remuneration Committee of the Company shall be as per the provisions Section 178(1) of the Companies Act, 2013.

The provision of the Companies Act, 2013 related to the composition of the Nomination & Remuneration Committee is following:

- The Company shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent director

The Board of Directors of the Company have formed a Nomination & Remuneration Committee complying with the above provision, related to composition of the Committee, of the Companies Act, 2013.

4. Definition

- 4.1** Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 4.2** Board means Board of Directors of the Company.
- 4.3** Company means “Pahal Financial Services Private Limited”
- 4.4** Directors mean Directors of the Company
- 4.5** Key Managerial Personnel means
- Chief Executive Officer or the Managing Director or the Manager;
 - Chief Financial Officer;

- Company Secretary;
- Whole-time Director;
- 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
- Such other officer as may be prescribed.

4.6 Committee means Nomination and Remuneration Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.

4.7 Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

4.8 Ministry means the Ministry of Corporate Affairs.

4.9 Independent Director means a director referred to in Section 149 (6) of the Companies Act, 2013.

4.10 Policy means Nomination and Remuneration policy.

4.11 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.

4.12 Regulation refers to and comprise of Companies Act, 2013, The Companies (Meeting of Board and its Powers) Rules, 2014, The Companies (Appointment and Qualification of Directors) Rules, 2014, The Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014, and such other rules and provisions as applicable to the matters dealt in by this Policy.

5. Applicability

This Policy is applicable to:

- 5.1** Directors viz. Executive, Non-executive and Independent;
- 5.2** Key Managerial Personnel;
- 5.3** Senior Management Personnel;

This Remuneration Policy shall also apply to all future/continuing employment/engagement(s) with the Company. In other respects, the Remuneration Policy shall be of guidance for the Board. Any departure from the policy shall be recorded and reasoned in the Committee and Board meeting minutes.

6. Objective of the Policy

The policy is framed with the objective(s):

- 6.1** 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.
- 6.2** That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

6.3 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.

7. Chairman

- a) Chairman of the Committee shall be an Independent Director;
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not Chair the Committee;
- c) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman;
- d) Chairman of the Nomination and Remuneration Committee shall be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

8. Frequency of Meetings

The meeting of the Committee shall be held at such regular intervals as may be required.

9. Committee Members Interests

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

10. Appointment and Removal of Director, KMP and Senior Management

10.1 Appointment Criteria and qualifications

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b) A person should possess adequate qualification, expertise and experience for the position he/she is 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.
- c) The Company shall not appoint or continue the employment of any person as Managing Director/Whole-time Director/Manager 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.

- d) Appointment of Independent Directors is subject to compliance of provisions of section 149 of the Act, read with schedule IV and rules thereunder.
- e) 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.
- f) 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.
- g) The Term/Tenure of the Directors shall be governed as per provisions of the Act, and rules made thereunder as amended from time to time.

10.2 Non-Executive Director

The Non-Executive Directors shall be evaluated on the basis of the following criteria i.e.

Whether they:

- a) act objectively and constructively while exercising their duties;
- b) exercise their responsibilities in a bona fide manner in the interest of the company;
- c) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- d) do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- e) refrain from any action that would lead to loss of his independence;
- f) inform the Board immediately when they lose their independence;
- g) assist the company in implementing the best corporate governance practices;
- h) strive to attend all meetings of the Board of Directors and the Committees;
- i) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- j) strive to attend the general meetings of the company;
- k) keep themselves well informed about the company and the external environment in which it operates;
- l) do not unfairly obstruct the functioning of an otherwise proper Board or Committee of the Board;
- m) Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest;
- n) Abide by Company's Memorandum and Articles of Association, company's policies and procedures including code of conduct.

10.3 Removal

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

11. Matters relating to the remuneration, perquisites for the Whole-time Director, KMP and Senior Management Personnel

- The remuneration/compensation/ profit-linked commission etc. to the Whole Time Director, Directors will be determined by the Committee and recommended to the Board for approval.
- Increments to the existing remuneration/ compensation structure shall be approved by the Committee.
- Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer or Company Secretary for indemnifying any of them against any liability, in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

- **Sitting Fees**

The Non-executive/ Independent/Nominee Directors of the Company shall be paid sitting fees as per the applicable Regulations and no sitting fee is paid to Executive Directors. The quantum of sitting fees will be determined as per the recommendation of Nomination and Remuneration Committee and approved by the Board of Directors of the Company.

- **Profit Linked Commission**

The profit – linked Commission shall be paid within the monetary limit approved by the shareholders of the Company subject to the same not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Regulations.

- **Stock Options**

Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company. Only such employees of the Company and its Subsidiaries as approved by the Nomination and Remuneration Committee will be granted ESOPs.

11.1 Remuneration to Senior Management Personnel, Key Managerial Personnel and Other Employees

The Senior Management Personnel and other employees of the Company shall be paid monthly remuneration as per the Company's HR policies and/ or as may be approved by the Committee. The break-up of the pay scale and quantum of perquisites including employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be as per the Company's HR policies.

12. Amendments to the policy

The Board of Directors on its own and/or as per the recommendations of Committee can amend this policy, as and when deemed fit.

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

13. Disclosure of the Policy

The Nomination & Remuneration Policy shall be placed on the website of the Company at <https://www.pahalfinance.com> and the salient features of this policy and changes therein along with the web address of the policy shall be disclosed in the Board's report.