

MARGDARSHAK FINANCIAL SERVICES LIMITED

Nomination and Remuneration Policy

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NOMINATION AND REMUNERATION POLICY

1. BACKGROUND

This Nomination and Remuneration Policy has been formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto. This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee (NRC or the Committee) and shall be approved by the Board of Directors.

2. SCOPE AND OBJECTIVES

- 2.1. The scope and objectives of the Policy are as follows;
- 2.2. To formulate the criteria for determining qualifications, positive attributes and independence of a director and remuneration for the directors, key managerial personnel and other employees of the Company.
- 2.3. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 2.4. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management
- 2.5. To ensure that—
 - a) 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;
 - b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - c) 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.
- 2.6. To establish a mechanism for evaluation of every director's performance and the performance of the Board of Directors collectively.
- 2.7. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 2.8. To devise a policy on Board diversity
- 2.9. To develop a succession plan for the Board and to regularly review the plan;

3. DEFINITIONS

- 3.1. **"Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 3.2. **"Board"** means Board of Directors of the Company.

- 3.3. **“Committee”** shall mean Nomination and Remuneration Committee constituted by the Board of Directors
- 3.4. **“Directors”** mean Directors of the Company.
- 3.5. **“Key Managerial Personnel”** means
- a) Chief Executive Officer or the Managing Director or the Manager;
 - b) Whole-time director;
 - c) Chief Financial Officer;
 - d) Company Secretary; and
 - e) such other officer as may be prescribed.
- 3.6. **“Senior Management”** means Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads.
- 3.7. **“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. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

4.1. Appointment Criteria and Qualifications

- 4.1.1. 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.
- 4.1.2. 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 is sufficient / satisfactory for the concerned position.
- 4.1.3. The Company shall not appoint or continue the employment of any person
- a) as Whole-time Director, who has attained the age of sixty years.
 - b) As independent 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 sixty years or seventy years, as applicable, 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.

- 4.1.4. A whole-time director and Key Managerial Personnel of the Company shall not hold office in more than one company, except in its subsidiary company, at the same time.

However a Whole-time Key Managerial Personnel can be appointed as a Director in any Company with the permission of the Board of Directors.

4.2. Term / Tenure

4.2.1. Managing Director/Whole-time Director

- i. 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.
- ii. No company shall appoint or continue the employment of any person as managing director, whole-time director or manager who —
 - a. is below the age of twenty-one years or has attained the age of seventy years.
Provided that appointment of a person who has attained the age of seventy years may be made by passing a special resolution in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such person;
 - b. is an undischarged insolvent or has at any time been adjudged as an insolvent;
 - c. has at any time suspended payment to his creditors or makes, or has at any time made, a composition with them; or
 - d. has at any time been convicted by a court of an offence and sentenced for a period of more than six months.

4.2.2. 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.
- iii. 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.

5 EVALUATION

- 5.1. The Committee shall make recommendations to the Board on appropriate performance criteria for Directors.
- 5.2. The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval.

6 REMOVAL

- 6.1. 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.

7. REMUNERATION

7.1. **General:**

7.1.1. The remuneration to the Whole-time Director, KMP and Senior Management Personnel 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 and Central Government, wherever required.

7.1.2. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down as per the provisions of the Act.

7.1.3. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.

7.1.4. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees 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.

7.2. **Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:**

7.2.1. Fixed pay:

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

7.2.2. Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director 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.

7.2.3. Provisions for excess remuneration:

If any Whole-time Director 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.

7.3. Remuneration to Non- Executive / Independent Director:

7.3.1. 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 determined by the Board of Directors and is revised from time to time, depending on individual contribution.

The Articles of Association of the Company currently specify a ceiling of Rs. 7500/- per meeting of the Board or Committee.

7.3.2. Independent directors shall not be entitled to any stock option of the Company.

7.4. Remuneration to KMPs and other Employees

The remuneration structure for employees will consist of two components- annual remuneration and long -term rewards, as follows:

7.4.1. Annual Remuneration

Annual remuneration refers to annual compensation payable to employees. It comprises of two parts- a fixed component, and a performance linked variable component based on the performance assessment and appraisal of the employee. For every employee, the key performance indicators shall be determined and communicated to him. The performance linked variable pay will be directly linked to their performance on specific performance indicators.

7.4.2. Long-term rewards

Long-term rewards may include Long -term Incentive Plans under which incentives would be granted to key eligible employees based on their contribution to the performance of the Company, relative position in the Company and the length of service. These Long term incentive plans could be spread over several years with release of incentives in multiple tranches linked to Company's performance.

Long -term incentives can also be in the form of Employees Stock options (ESOP), under which stock options of the Company may be granted to key employees and high performers in the organization who would be selected based on a critical appraisal of their past performance and potential. The grant, vesting, and other scheme details would be formulated from time to time.

8. NOMINATION AND REMUNERATION COMMITTEE

8.1. Constitution:

8.1.1. The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.

8.1.2. Minimum two (2) members shall constitute a quorum for the Committee meeting.

8.1.3. Membership of the Committee shall be disclosed in the Annual Report.

8.1.4. Term of the Committee shall be continued unless terminated by the Board of Directors.

8.2. Chairperson

8.2.1. Chairperson of the Committee shall be an Independent Director.

8.2.2. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

8.2.3. Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

8.3. Frequency Of Meetings

The meeting of the Committee shall be held at such regular intervals as decided by the Board.

8.4. Secretary

The Company Secretary of the Company shall act as Secretary of the Committee.

8.5. Voting

8.5.1. Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

8.5.2. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

8.6. Functions

The functions of the Committee in relation to nomination matters include:

- 8.6.1. The committee to formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- 8.6.2. The committee to ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets performance benchmarks, 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 goal.
- 8.6.3. The committee to identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
- 8.6.4. The committee to carry out evaluation of every director's performance and recommend to the board his/her appointment and removal based on the performance.
- 8.6.5. To determine the share options plan & approve the recommendations under ESOP.

8.7. Minutes Of Committee Meeting

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.