



**Enabling Holistic Dignified Living**

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**Nomination and Remuneration Policy  
Version 2.0**

Version History			
Version	Amendments	Date	Meeting in which adopted
1.0	First release	17.02.2017	Board Meeting
2.0	Second release	04.09.2020	Board Meeting

## 1. Introduction:

Pursuant to provisions of the Companies Act, 2013, the Company is required to define general guidelines for the Company's incentive pay to the Board of Directors, Key Managerial Personnel and other Employees of the Company.

The Policy is divided into separate sections for Executive and Non-Executive Directors, Key Managerial Personnel and other Employees of the Company. The remuneration of the Directors and Key Managerial Personnel is considered and recommended by the Nomination and Remuneration Committee under delegated powers from the Board of Directors of Light Microfinance Private Limited ("Company").

Company's underlying objective is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Company. This objective has been and continues to be applied as consistently and fairly as possible to all Company's personnel over a prolonged period of time. Only in this way, the Company will be able to attract, retain and motivate high caliber executives and employees, who can perform to meet the highest levels of expectations.

## 2. Definitions:

"**Act**" means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

"**Board**" means Board of Directors of the Company.

"**Directors**" means Directors of the Company.

"**Key Managerial Personnel (KMP)**" means

- i. Managing Director or Chief Executive Officer or Manager and in their absence Whole-Time Director;
- ii. Chief Financial Officer;
- iii. Company Secretary."

## 3. Objectives and purpose of this Policy

- The purpose of this Policy is to ensure that Directors, KMPs are remunerated in a way that reflects the Company's long-term strategy. Consistent with this, a proportion of Directors' total potential remuneration has been, and will be, strongly linked to the Company's long-term performance;

- To align individual and team reward with business performance in both the short term and long term;
- To encourage executives to perform to their fullest capacity;
- To be competitive and cost effective;
- To formulate the criteria for identification and selection of the suitable candidates for the various positions in Senior Management and also candidates who are qualified to be appointed as Director on the Board of Directors of the Company;
- To recommend a Policy, relating to the remuneration for the Directors, Key Managerial Personnel, Senior Management Personnel and other employees of the Company;
- To make recommendations to the Board on appropriate performance criteria for the Directors and carry on the performance evaluation of the Directors;

**4. Nomination and Remuneration Committee** (“the Committee”) - The Committee comprises of Non-Executive, Independent Directors on the Board of the Company duly constituted under the provisions of the Act.

The Committee at its meeting shall formulate the criteria for determining qualifications, positive attributes and independence of a Director while recommending the remuneration of Directors, KMPs and Senior Management Personnel of the Company. The Committee shall recommend the remuneration after having regard to the below criteria/principles –

- (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, KMPs and Senior Management Personnel 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.

**5. Criteria for selection of members on the Board of Directors and candidates for KMP**

The Committee has adopted the following criteria for selection of member on the Board of Directors of the Company and also candidates eligible to be appointed as KMPs of the Company:

## A) Criteria for selection of Directors

Before making any recommendation to the Board for appointment of any Director, the Committee shall ensure that:

- a) the candidate possesses positive attributes/ qualities such as Leadership, Industrious, Expanse and depth of knowledge pertaining to fields which fall under the larger ambit of BFSI (Banking, Financial Services and Insurance), or such other attributes which in the opinion of the Committee the candidate possess and such knowledge/expertise is likely to serve the interest/s of the Company;
- b) the candidate shall be free from any disqualifications as provided under Sections 164 and 167 of the Act and other applicable provisions, as may be amended from time to time;
- c) the candidate meet the conditions of being independent as stipulated under the Act in case of appointment of an Independent Director;
- d) the candidate possesses appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations, infrastructure or such other areas or disciplines which are relevant for the Company's business.

## Term/ Tenure

- **Independent Director:**

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 Directors' Report. No Independent Director shall hold office for more than two consecutive terms of up to maximum of 5 years each, 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. 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.

## **Removal**

Due to reasons for any disqualification mentioned in the Act and rules made thereunder or under any other applicable Act or rules, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP subject to the provisions and compliance of the Act and the Policy of the Company.

## **Retirement**

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

## **B) Criteria for selection of KMPs**

The Committee shall, before making any recommendation to the Board for appointment, should ensure that the candidate has the attributes set forth below:

- a) A person to be appointed as KMP 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;
- b) The candidate should possess qualities that demonstrate leadership skills, decision making skills, effective communication, hard work, commitment and such other attributes which in the opinion of the Committee the candidate possess and are in the interest of the Company.

If the Committee finds fit and is of opinion that the candidate meets the above criteria for appointment (as Director on the Board or as part of), the Committee shall make its recommendation to the Board.

## **6. Remuneration Policy for Directors, KMPs and other Employees**

### **A) Remuneration of Executive Directors:**

The Committee may consider various factors while considering the remuneration of Executive Directors, provided that any remuneration considered by the Committee shall be in accordance and within the limits stipulated under the Act.

## **B) Remuneration of Non-Executive Directors and Independent Directors:**

- i. The remuneration payable to each Non-Executive Director (including Independent Directors) is based on the remuneration structure as determined by the Board, and is revised from time to time, depending on individual contribution, the Company's performance, and the provisions of the Act and the rules made thereunder;
- ii. The remuneration to the Non-Executive Directors (including Independent Directors) may be restricted to the sitting fees for attending meetings of the Board of Directors and Committees of Board, provided that any sitting fees paid to the Independent Director shall not be less the sitting fees paid to Non-Executive Directors.
- iii. The remuneration to the Non-executive Directors (including Independent Directors) 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.
- iv. Independent Directors shall not be eligible for stock options of the Company, if any.

Any incidental expense incurred by the Directors with relation to the participation in the meetings of the Board and Committees of the Board shall be reimbursed.

## **C) Remuneration of KMPs and other Employees:**

- i. The Company to ensure that the remunerations offered are reasonable, well balanced, competitive and match with industry norms.
- ii. The fixed basic salary forms the base for the assessment of various additional benefits as parts of the total remuneration.
- iii. The Company's further growth and profitability depend on the employees' efforts to ensure the continuous development of the operations and improvement in profitability.
- iv. Benefits in kind and other special schemes:  
Senior executives will normally be given the benefits in cash/kind that are prevalent market practice, i.e., telephone expenses, laptop for effecting official purposes, free broadband connection/d, and Company car or car allowance. There are no special restrictions on the type of other benefits that can be agreed upon.

v. Performance Appraisal:

Annual Performance Appraisal of Senior Management, KMP and other Employees of the Company shall be assessed by respective functional heads and approved by the Management of the Company based on performance and contribution of Senior Management, KMPs and other employees to the Company.

**D) Content of Remuneration Packages:**

Remuneration will incorporate fixed pay performance elements with both a short term and long term focus.

Remuneration packages may contain any or all of the following:

- annual salary based on conditions and the relevant market - with provision to recognize the value of the individuals' personal performance and their ability and experience;
- ad hoc rewards, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;
- bonuses - a lump sum payment related to achieving target of identified business drivers and personal key performance indicators measured over the period of the assessment.

**7. Evaluation of performance of Directors**

**A) Evaluation of the performance of Executive Director**

The performance of the Executive Director of the Company may be carried out taking into consideration the performance of the Company vis-à-vis the budgets as well as performance of its competitors. Emphasis on achieving top line and bottom line targets, with no adverse qualification by the auditors in the accounts, may be made.

**B) Evaluation of the performance of Non-Executive Directors and Independent Directors**

While evaluating the performance of the Non-Executive Directors and Independent Directors may take into consideration various factors as mentioned below:

- a) Attendance at Meetings - attendance at Board Meetings, Committee meetings;
- b) Other Directorships held by the Non-Executive Director - in listed or unlisted companies;
- c) Other companies in which Non-Executive Director is a Chairperson;
- d) Participation at Board/Committee meetings;

- e) Input in strategy decisions;
- f) Review of Financial Statements, risks and business performance;
- g) Time devoted towards discussion with Management;
- h) Review of Minutes – Board Minutes, Committee meeting Minutes and AGM Minutes;
- i) Dedication;
- j) Preparedness & Participation;
- k) Team work;
- l) Contribution;
- m) Response;
- n) Commitment;
- o) Knowledge / Sharing information;
- p) Responsibilities;
- q) Suggestions during discussion

Marks may be assigned for each of the above factors / criteria and based on the score achieved, the Committee may evaluate the performance of each Non-Executive Director and Independent Director.

## **8. Flexibility, judgment and discretion**

The Committee is empowered to undertake quantitative and qualitative assessments of performance in reaching its decisions. This involves the use of judgement and discretion within a framework that is approved by, and transparent to, Shareholders.

The Committee considers that the powers of flexibility, judgment and discretion are critical to successful design and implementation of the Policy.

The Committee considers that an effective Policy needs to be sufficiently flexible to take account of future changes in the industry and in remuneration practice generally.

The Committee considers a wide range of factors when developing the Policy for Executive Directors. The Committee believes that it has a duty to shareholders to ensure that the Company is competitive so as to attract and retain the high caliber Executives required to lead the Company.

## **9. Policy review**

This Policy is framed based on the provisions of the Act and rules thereunder.

In case of any subsequent changes in the provisions of the Act or any other applicable Rules and Regulations which makes any of the provisions in the Policy inconsistent with the Act or Regulations, then the provisions of the Act or Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would require approval of the Board of Directors.

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