

**DOCUMENT CONTROL**

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**Statement of Confidentiality**

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**Changes made in the current version since the last approved policy**

<b>S. No</b>	<b>Change</b>	<b>Section</b>	<b>Reference Page No</b>
1	Removal of the context of policy on Board Diversity (Non-applicability to SFL at present)	Section 3	5
2	Removal of the context of Succession Plan (Non-applicability to SFL at present)	Section 3	5

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## **1. Introduction**

This Nomination and Remuneration Policy (“Policy”) has been formulated in accordance with the provisions of Section 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board Members and its Powers) Rules, 2014, as amended from time to time, and in compliance with the applicable circulars, directions, and notifications issued by the Reserve Bank of India (“RBI”), as amended from time to time.

This Policy shall apply to the appointment and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management Personnel (SMP), and other employees of Satin Finserv Limited (hereinafter referred to as the “Company”).

This Policy shall, at all times, be in conformity with the aforesaid statutory provisions and regulatory requirements. Any amendment(s), modification(s), or re-enactment(s) to the applicable laws, rules, regulations, or RBI guidelines shall automatically be deemed to be incorporated into this Policy, and this Policy shall stand modified accordingly, without requiring any further approval, to the extent of such changes.

In recognition of human resources as invaluable assets, the Company strives to provide fair remuneration to all Directors, Key Managerial Personnel (KMP), Senior Management Personnel (SMP), and other employees, while aligning their aspirations with the Company’s goals. In accordance with Section 178 of the Companies Act, 2013, and the circulars, directions, and notifications issued by the Reserve Bank of India, as amended from time to time, this Nomination and Remuneration framework for Directors, KMP, and SMP has been approved by the Board of Directors.

This Policy shall serve as a guideline for determining, inter alia, qualifications, positive attributes and independence of a Director, and for matters relating to the remuneration, appointment, removal and performance evaluation of the Directors, KMP, SMP and other employees of the Company.

## **2. Applicability:**

The Policy shall be applicable to:

- (a) **Directors (Executive and Non-Executive);**
- (b) **KMP** means all personnel as defined under Section 2 (51) of the Companies Act, 2013.
- (c) **SMP** refers to personnel identified by the Chief Executive Officer (CEO) of the Company who are part of its core management team, excluding the Board of Directors. This may include members of management one level below the Executive Directors, including functional heads.
- (d) **Other Employees** of the Company.  
The Compensation policy forming part of this Policy, provides for the remuneration of KMP, SMP and other employees of the Company in accordance with the guidelines, circulars and notifications issued by the Reserve Bank of India and other applicable laws, as amended from time to time.

### **Nomination and Remuneration Committee:**

In accordance with the provisions of Section 178 of the Companies Act, 2013, read with the applicable rules made thereunder, and in line with the regulatory framework, circulars, directions, and notifications issued by the Reserve Bank of India governing non-banking financial companies, as may be amended, updated, or supplemented from time to time, and other applicable laws and regulations, the Nomination and Remuneration Committee shall comprise three or more non-executive directors, of which not less than one-half shall be independent directors. The Chairperson of the Company, if

any, may be appointed as a member of the Committee but shall not chair such Committee. The Chairperson of the Nomination and Remuneration Committee shall be an Independent Director. The Committee shall meet at such intervals as may be deemed necessary to carry out the objectives set out in this Policy. The Chairperson of the Nomination and Remuneration Committee may attend the Annual General Meeting to address shareholders' queries; however, it shall be at the discretion of the Chairperson to decide who shall respond to such queries.

**Secretary of the Committee:**

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

**3. Objectives and Functions of the Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee shall, inter alia, perform the following functions:

- Identify persons who are qualified to become Directors and who may be appointed as KMP and SMP in accordance with the criteria laid down; recommend to the Board Members their appointment and removal and carry out evaluation of every Director's performance.
- Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board Members a framework/guiding principles relating to the compensation/remuneration of the Directors, KMP, SMP and other employees.
- Ensure that the Board Members comprise an appropriate mix of Executive and Non-Executive Directors, including Independent Directors, and that the size and composition of the Board Members is optimal and well-balanced.
- Decide and approve details of fixed components and performance-linked incentives (if any), along with the performance criteria.
- Identify and recommend Directors who are liable to retire by rotation.
- Evaluate the performance of Board Members, KMP and SMP in the context of the Company's performance, from both business and compliance perspectives.
- Make recommendations to the Board Members concerning any matters relating to the continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the Company, subject to the provisions of law and their service contract.
- Delegate any of its powers to one or more of its members
- Recommend any necessary changes to the Board Members.
- Consider any other matters as may be requested by the Board Members and determine the remuneration based on performance, ensuring that remuneration is reasonable and sufficient to attract, retain and motivate members of the Board Members, along with such other factors as the Committee may deem appropriate, including all elements of remuneration of the Board Members.
- Approve the remuneration of KMP and SMP, ensuring an appropriate balance between fixed pay and incentive pay reflecting short-term and long-term performance objectives aligned with the Company's operations.
- Guide the Board Members in relation to the appointment and removal of Directors, KMP and SMP.
- Recommend to the Board Members the remuneration payable to the Directors, KMP and SMP.
- Ensure that KMP and SMP are rewarded in a manner that is directly linked to their effort, performance, dedication and achievements in relation to the Company's operations.
- Formulate criteria for evaluation of Independent Directors and the Board Members.
- Promote talent retention, motivation and development to ensure long-term sustainability of managerial resources and to create a competitive advantage for the Company.
- Implementing and monitoring policies related to specific corporate governance principles, specifically those concerning nominations, remuneration, and board performance.
- Recommend to the Board Members all forms of remuneration payable to KMP and SMP

- Perform any other functions as may be required under applicable laws or as may be delegated by the Board Members from time to time.

#### **4. Guiding Principles for Appointment and Removal of Director, KMP and SMP:**

##### **Appointment criteria and qualifications:**

- The Committee shall identify and assess the integrity, qualifications, expertise and experience of a person for appointment as a Director, KMP and SMP, and recommend his/her appointment to the Board.
- A person shall possess adequate qualifications, expertise and experience for the position for which he/she is being considered. The Committee shall have the discretion to determine whether such qualifications, expertise and experience are sufficient and appropriate for the concerned position.
- The Committee shall consider the ethical standards of integrity and probity, along with the qualifications, expertise and experience of the person for appointment as a Director, KMP and SMP, and accordingly recommend his/her appointment to the Board.
- The Company shall ensure that any person appointed as a Director, Independent Director, KMP or SMP is not disqualified under the Companies Act, 2013, the rules made thereunder, or any other applicable law for the time being in force.
- The appointment of a Director, Independent Director, KMP or SMP shall be carried out in accordance with the provisions of the Companies Act, 2013, the rules made thereunder, and other applicable laws in force.
- In addition to the above, the Committee shall comply with the requirements of the Companies Act, 2013 read with the rules made thereunder (including any statutory modifications or amendments), and the circulars/notifications issued by the Reserve Bank of India (RBI) with respect to the “Fit and Proper Criteria”, as amended from time to time, and other applicable laws, in relation to Directors of the Company at the time of appointment and on a continuing basis.
- The Committee shall ensure, in the public interest, that the nominated/elected Directors execute the Deed of Covenant in accordance with the applicable rules and regulations.

##### **Specification for Directors**

The Company shall ensure that the selection criteria for appointing any person to the Board of Directors are in accordance with applicable laws. Additionally, the following specifications shall be considered before appointing any person to the Board of the Company.

- **Qualification:** Degree holder in relevant disciplines (e.g. management, accountancy, legal, etc.).
- **Experience:** Experience of management in a diverse organisation. Experience in accounting and finance, administration, corporate and strategic planning or fund management. Demonstrable ability to work effectively with members of the Board of Directors.
- **Skills:** Excellent interpersonal, communication and representational skills; demonstrable leadership skills. Extensive team building and management skills; strong influencing and negotiating skills. Having continuous professional development to refresh knowledge and skills.
- **Abilities and Attributes:** Commitment to high standards of ethics, personal integrity and probity; Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace.

##### **Selection of Members of Boards**

Selection of candidates will be based on a broad range of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, and knowledge. The ultimate decision shall be guided by merit and the value the selected candidates bring to the Board. The Nomination and Remuneration Committee shall identify persons who are eligible and qualified to become Directors in accordance with the criteria laid down in the Board's Nomination & Remuneration Policy, and recommend their appointment to the Board, while also carrying out the evaluation of each Director's performance. The Committee shall formulate the criteria for determining qualifications, positive attributes, and independence of a Director, and ensure that the Board comprises an appropriate and well-balanced composition of Executive Directors, Non-Executive Directors, and Independent Directors, along with an optimal Board size.

### **Observance and Reporting**

It is the sole responsibility of the Nomination and Remuneration Committee (among other things) to:

- Assess the current composition of the Board considering a broad range of relevant skills and expertise.
- Ensure that in terms of Sub section 1 of section 149 of Companies Act 2013, one woman director must be appointed on the Board of every Listed Company and every other Public Company having paid up capital of Rs. One Hundred Crores or more or turnover of Rs. Three Hundred Crores and more.
- To prepare a requisition required for having a proper blend of directors in terms of diverse skills i.e. in terms of gender, age, cultural, educational background, ethnicity, professional experience etc.
- Making recommendations to the Board regarding the appointment and continuity planning of Board members, including the Chairman, to ensure an appropriate balance of gender, age, cultural and educational background, ethnicity, professional experience, and other relevant expertise on the Board.
- Reviewing and reporting to the Board Members in relation to Board Members diversity.

The Nomination and Remuneration Committee will report to the Board Members on:

- The Committee may undertake initiatives to promote an appropriate mix of skills among the Board of Directors to support the achievement of the Company's objectives and thereby may provide recommendations and a progress report to the Board in this regard.
- The Nomination and Remuneration Committee may, on an annual basis, report in the Board's Report on the composition of the Board from various professional and experiential perspectives and may review the implementation of this Policy.

### **Additional Criteria for Appointment of Independent Directors:**

The Committee shall consider the qualifications prescribed for Independent Directors under the Companies Act, 2013 and the rules made thereunder, and may also refer to the criteria set out in this Policy, as amended from time to time.

### **Term/Tenure of Appointment:**

#### **1. Managing Director / Whole-time Director:**

The Company may 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**, or for such other term as may be permitted under applicable laws. Re-appointment shall be subject to compliance with all relevant provisions of the Companies Act, 2013, and other applicable regulations.

#### **2. Independent Director:**

An Independent Director shall hold office for a term of up to five consecutive years on the Board and shall be eligible for re-appointment on passing of a special resolution by the Company. No Independent Director shall hold office for more than two consecutive terms but may be eligible for appointment again after a gap of three years from ceasing to be an Independent Director. During this three-year period, the Independent Director shall not be appointed in, or be associated with, the Company in any other capacity, either directly or indirectly.

Provided that a person who has already served as an Independent Director for five years or more in the Company as on October 1, 2014, or such other date as determined by the Committee in line with regulatory requirements, shall be eligible for appointment for one additional term of five years only.

At the time of appointment, it shall be ensured that the number of Boards on which an Independent Director serves is in accordance with the applicable provisions of the Companies Act, 2013, including all amendments thereto.

#### **Removal & Retirement:**

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 Members, with reasons recorded in writing, removal of a Director, KMP and SMP subject to the provisions and compliance of the Companies Act, 2013 and other applicable laws, guidelines, regulations

The Board Members will have the discretion to retain the Director, KMP and SMP in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company subject to the applicable laws.

The KMP, SMP and other employees shall retire as per the applicable provisions of the Act, rules and regulations and the prevailing HR policies of the Company.

The Managing Director/Whole Time Director/Chief Executive Officer will have the discretion to retain KMP, SMP and other employees in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to compliance of regulations, if any, from time to time and if applicable as per prevailing HR Policies of the Company.

#### **Selection of KMP, SMP and Other Top Management Employees**

The Company shall ensure that adequate qualification, experience, skills, and fit and proper criteria, are adhered to while appointing KMP, SMP and other top management employees.

#### **Fit and Proper Criteria**

The Company shall undertake a process of due diligence to determine the suitability of the person for appointment/continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. NBFCs shall obtain necessary information and declaration from the proposed / existing directors for the purpose as per prescribed format.

## **5. Compensation Policy**

*Compensation Policy for Whole-time/Executive/Non-Executive Directors, Managing Director, Key Managerial Personnel (KMP), Senior Management Personnel (SMP), and other employees of the Company.*

The compensation/remuneration of employees largely consists of basic salary, perquisites, allowances and performance incentives. Perquisites and retirement benefits are paid according to the Company policy, subject to prescribed statutory ceiling.

The components of the total compensation/remuneration vary for different grades and are governed by the industry pattern, qualification & experience / merits, performance of each employee. The Company while deciding the compensation/remuneration package takes into consideration current employment scenario and industry level compensation/remuneration benchmarks.

#### **Compensation/Remuneration to Executive Directors:**

Compensation/remuneration to Executive Director (Non-Independent) shall be paid in terms of Companies Act 2013 and other applicable laws and shall include the following heads:

- Fixed Pay: The Managing director/Whole Time Director shall be eligible for a monthly compensation/remuneration as may be approved by the Board Members on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to provident fund, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board Members/ the Person authorized by the Board Members on the recommendation of the Committee and approved by the shareholders.
- Minimum Compensation/Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay compensation/remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act.
- Provisions for Excess Compensation/Remuneration: If Managing director/Whole Time Director draws or receives, directly or indirectly by way of compensation/remuneration any such sums in excess of the limits prescribed under the Act, 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 approved by the shareholders of the Company.

#### **Compensation/Remuneration to KMP, SMP and Other Employees:**

Compensation/remuneration to KMP, SMP and other employees will be paid pursuant to Compensation/remuneration Policy of the Company, prepared pursuant to Section 178 of the Companies Act, 2013, RBI guidelines/circulars/notifications, Human Resources Guidelines and other applicable guidelines.

#### **Compensation/Remuneration to Non- Executive / Independent Director:**

- Compensation/Remuneration/Commission: The compensation/remuneration/commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Companies Act, 2013, Rules/Guidelines/Notifications as prescribed by Securities and Exchange Board of India from time to time.
- Sitting Fees: The Non-Executive / Independent Director may receive compensation/remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. One Lakhs per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.
- Commission: Commission 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.

- Stock Options: An Independent Director shall not be entitled to any stock option of the Company.

## 6. Principles of Compensation/Remuneration

The compensation/remuneration of KMP, SMP and other employees needs to be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices.

*The compensation/remuneration to KMP and SMP will be in fixed and variable payables.*

Component of Fixed Payables: All the fixed items of compensation/remuneration, including the perquisites and contributions towards superannuation/retiral benefits, will be treated as part of fixed pay. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. The monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) may also be part of fixed pay. Fixed compensation/remuneration will be paid on monthly basis and shall be aligned with industry norms and risk of profile of individual(s).

Component of Variable Payables: The variables payables will be linked to performance of business and individual. The same will be decided by the Chief Executive Officer of the Company.

### Other Terms of Variable Payables:

- Variables Payables will be in cash or other method as decided by Whole Time Director/Managing Director/ CEO.
- The Whole Time Director/Managing Director/ CEO shall have the right, in consultation with the Board Members and/or the Chairman of the Board, to make changes to the variable pay components as specified above.
- While determining the variable payable, performance and prudential risk associated with the profile of an individual will be considered.

### Other Principles of Compensation/Remuneration:

- Support for Strategic Objectives: Compensation/remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, supports and reinforces the achievement of the Company's vision and strategy.
- Flexibility: Compensation/remuneration and reward offerings shall be sufficiently flexible to meet both, the needs of individuals and those of the Company, whilst complying with relevant tax and other legislation.
- Performance-driven Compensation/Remuneration: The Company shall entrench a culture of performance driven compensation/remuneration through the implementation of the performance appraisal system.
- Affordability and Sustainability: The Company shall ensure that compensation/remuneration is affordable on a sustainable basis.
- **Malus / Clawback:** Deferred compensation/remuneration, including deferred variable pay, may be subject to malus and/or clawback arrangements in the event of subdued or negative financial performance of the Company and/or the relevant line of business, or in cases of employee misconduct or other identified adverse situations. Malus and clawback arrangements shall have the meanings as defined in the RBI Guidelines on Compensation/Remuneration of KMP and SMP of NBFCs dated April 29, 2022 (and any amendments or updates thereto), or as prescribed under applicable RBI directions. The criteria for application, the period during which malus and/or clawback may be applied, and the portion of variable compensation/remuneration subject to such arrangements shall be determined by the Board or its delegated internal committee from time to time, considering regulatory guidance, risk horizon, and applicable law.
- Maintain Adequate Capital: Compensation/remuneration levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on ICAAP.

#### Guaranteed bonus

Guaranteed bonus may not be paid to KMP and SMP. However, in the context of new hiring, joining/sign-on bonus could be considered, at the discretion of the CEO/WTD/MD. Such bonus will neither be considered part of fixed pay nor of variable pay.

### **7. Performance Evaluation/ Assessment of Directors/KMP/SMP:**

The performance evaluation/assessment of the Directors, KMP and SMP of the Company is to be conducted as per Companies Act, 2013 read with rules made thereunder and applicable RBI laws and as per Compensation Policy (for KMP and SMP) of the Company.

*The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Directors on the aforesaid parameters, if required by them, and as per applicable laws.*

The following criteria may assist in determining the effectiveness of the performances of the Directors:

- Contribution in meetings, business and operational aspect of the Company
- Leadership & stewardship abilities
- Contributing to clearly define corporate objectives & plans
- Clear communication of expectations & concerns with subordinates
- Obtain adequate, relevant & timely information from external sources.
- Review achievement of strategic and operational plans, objectives, budgets
- Regular monitoring of corporate results against projections
- Identify, monitor & mitigate significant corporate risks
- Assess policies, structures & procedures
- Direct, monitor & evaluate KMP and SMP
- Effective meetings
- Assuring appropriate Board size, composition, independence, structure
- Clearly defining roles & monitoring activities of committees
- Review of company's ethical conduct

### **8. Review and Amendment**

- The Nomination and Remuneration Committee or the Board may review this Policy annually or as deemed necessary to ensure its continued relevance and effectiveness.
- The Nomination and Remuneration Committee may, if considered necessary, issue guidelines, procedures, formats, reporting mechanisms, and manuals to supplement and facilitate the effective implementation of this Policy.
- This Policy may be amended, modified, or replaced by the Nomination and Remuneration Committee or by the Board as and when required.
- This Policy shall always remain in conformity with applicable laws, regulations, and guidelines, including any amendments thereto, which shall be deemed to form an integral part of this Policy.