

# NOMINATION AND REMUNERATION POLICY

## Latest Review/ Amendments

Date	Review/ Amendments	Reviewed/ Amendment Approved By
24.07.2023	Amend	Board of Directors

## NOMINATION AND REMUNERATION POLICY

[Pursuant to Section 178 (3) of the Companies Act, 2013 and Regulation 19 (4) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015]

### 1. Preamble

In terms of Section 178 of the Companies Act, 2013 and Scale Based Regulation framework issued by Reserve Bank of India (RBI) vide its circular RBI/2021-22/112 DOR.CRE.REC. No.60/03.10.001/2021-22 dated October 22, 2021 read with Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs vide circular No. RBI/2022-23/36 DOR.GOV.REC. No.29/18.10.002/2022-23 dated April 29, 2022, this Nomination and Remuneration Policy relating to nomination and remuneration of Directors, Key Managerial Personnel (KMP), and other employees of the Company has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors.

### 2. Definitions

“Act” means the Companies Act, 2013, Rules framed thereunder and any amendments thereto.

“Board” means the Board of Directors of the Company or its Committee.

A “clawback” is a contractual agreement between the employee and the NBFC in which the employee agrees to return previously paid or vested remuneration to the NBFC under certain circumstances.

“Company” means Paisalo Digital Limited (Erstwhile Known as S. E. Investments Limited).

“Deferral” shall mean payment of a part of compensation at a date later than when it becomes due to the employee.

“Guidelines” shall mean Scale Based Regulation framework issued by Reserve Bank of India (RBI) vide its circular RBI/2021-22/112 DOR.CRE.REC. No.60/03.10.001/2021-22 dated October 22, 2021 read with Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs vide circular No. RBI/2022-23/36 DOR.GOV.REC. No.29/18.10.002/2022-23 dated April 29, 2022.

“Independent Director” means a Director referred to in Section 149(6) of the Companies Act, 2013 and /or as defined under Regulation 16 (b) of the SEBI (LODR) Regulations, 2015.

“Key Managerial Personnel (KMP)” means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and rules made thereunder.

“Listing Regulations” or “SEBI (LODR) Regulations, 2015” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any modification, clarification, circular or re-enactment thereof.

Malus means an arrangement permits the NBFC to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.

Policy" or "this Policy" means Policy on Nomination and Remuneration Policy.

"Senior Management" shall mean Officers/Personnel of the Company who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below the Chief Executive Officer/Managing Director/Whole Time Director/Manager (including Chief Executive Officer/Manager, in case Chief Executive Officer/Manager not part of the Board) and shall specifically include Company Secretary and Chief Financial Officer.

All other words, terms and expressions used but not defined in this policy, shall have the same meaning as respectively assigned to them in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Companies Act, 2013 or rules and regulations made thereunder, or any statutory modification or re-enactment thereto, as the case may be.

"Total compensation" includes fixed and variable pay.

"Variable Pay" means that portion of the compensation which is variable in nature and linked to performance of the company and/ or the employee.

### 3. Applicability

This Policy is applicable to:

- i. Directors of the Company (Executive, Non-Executive and Independent)
- ii. Key Managerial Personnel
- iii. Senior Management Personnel
- iv. Other Employees of the Company, as applicable.

### 4. Scope

This policy shall act as a guideline for determining, independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial and other employees.

### 5. Objectives

#### 5.1 Objective of Nomination and Remuneration Committee

The Nomination and Remuneration Committee and this Policy shall be in compliance with the Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 of SEBI (LODR) Regulations, 2015. The key objective of the Committee and this Policy are:

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.

- To lay down the criteria for evaluation of performance of members of Board, Key Managerial and Senior Management Personnel and provide necessary report to the Board for further evaluation.
- To device a policy on Board diversity.
- To lay down the criteria and terms & conditions in relation to identifying persons who are qualified to become Directors and who may be appointed in Senior Management.
- To lay down the criteria for determining the qualifications, positive attribute and independence of a Director and to determine remuneration of Directors, Key Managerial and Senior Management Personnel and other employees.
- To ensure long term sustainability of talented Managerial Persons and create competitive advantage.
- To recommend to the board, all remuneration, in whatever form, payable to Senior Management

In the above context the following policy has been formulated by the Nomination and Remuneration Committee and adopted by the Board of Directors of the Company.

## 5.2 Objective of Compensation Policy:

The objectives of this policy are:

- a) To lay down broad framework for payment of compensation to the directors (Executive and Non-Executive), Key Managerial Personnel, Senior Management and other employees;
- b) To ensure 'fit and proper' status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the Company, KMPs and senior management.
- c) To ensure that the compensation packages of whole-time directors (if any), key managerial personnel and senior management involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the company and aligned with the regulatory requirements;
- d) The level of compensation is supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Procedure (ICAAP);

- e) The level and composition of compensation is reasonable and sufficient to attract, retain and motivate directors, KPMs and SMPs of the quality required to efficiently run the company successfully;
- f) The NRC in pursuant to the Guidelines may work in close coordination with Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risks.

## 6. Principles for Compensation

### A. Components and Risk Alignment

- a. The compensation structure will be determined by the Nomination and Remuneration Committee who will ensure that:
  - Compensation components are aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risk taking;
  - Compensation outcomes are symmetric with risk outcomes;
  - Specifically, for Directors, KMPs and Senior Management:
    - Compensation pay-outs are sensitive to the Time Horizon of the Risk.
    - The mix of cash and other forms of compensation will be consistent with risk alignment.
- b. NRC may revisit the principles basis industry and regulatory context, company context and emerging best practices from time to time.

### B. Composition of Fixed Pay

- a. All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay;
- b. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements;
- c. 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.

### C. Principles of Variable Pay

- a. **Composition of Variable Pay:**  
Variable pay shall comprise of Share linked instruments or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.
- b. **Proportion of Variable Pay:**

- The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk-taking profile of KMPs/senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher.
- There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and company-wide level.
- In order to do so, performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.
- At present the Company has no share linked payments.

**c. Deferral of variable pay:**

For KMPs and Senior Management, not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as recommended by the Committee and approved by the Board of the company, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement may be decided by the Board of the company. In the event of separation of an employee on amicable terms with the Company, the Committee shall have the discretion to waive part or whole of the deferred pay.

**d. Control and assurance function personnel:**

KMPs and senior management engaged in financial control, risk management, compliance and internal audit may be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the company. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

## 7. Charter of The Nomination and Remuneration Committee

### A. Constitution of Committee

- The Committee shall consist of three or more Non-Executive Directors out of which atleast two-thirds shall be Independent Directors.
- The Chairman of the Company (whether executive or non-executive) may be appointed as a member of the Committee but he cannot be act as Chairman of the Committee.

- Chairman of the Committee shall be an Independent Director.
- The Chairman of the Committee could be present at the Annual General Meeting, to answer the shareholders' queries. However, it would be up to the Chairman to decide who should answer the queries.

## B. Meeting of Committee

- The Committee shall meet at least once in a year to carry out the objectives set out in the policy.
- The quorum for a meeting of the Committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one Independent Director in attendance.
- The Committee shall have the authority to call the employee(s), senior official and/or external person(s), as it deem fit.
- The Company Secretary of the Company shall act as Secretary to the Committee.

## C. Role of Committee

Role of Committee shall inter alia include the following:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees;

The Committee shall, while formulating the remuneration policy, ensure that-

- a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors;
  - b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
  - c. long term sustainability of talented managerial persons and create competitive advantage.
- For every appointment of an independent director, Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:



- a. use the services of an external agencies, if required;
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates.
- Formulation of criteria for evaluation of performance of Independent Directors and the Board;
  - Devising a policy on Board diversity;
  - 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;
  - Review of remuneration of Directors, Key Managerial and Senior Management.
  - Recommend to the Board, all remuneration, in whatever form, payable to Senior Management.
  - Recommend to the Board on any other employment incentives as the Committee deems it appropriate in the interest of the Company;
  - The Committee shall assist the Board in ensuring that plans are in place for orderly succession for appointments to the Board and to Senior Management;
  - To perform such other functions as may be necessary or appropriate for the performance of its duties.

## 8. Policy for appointment and removal of Director, KMP and Senior Management

Enhancing the competencies of the Board and attracting as well as retaining talented employee for role of KMP/ a level below KMP are the basis for the Nomination and Remuneration Committee to select the Candidate for recommend to the Board. When recommending a candidate for appointment, the Nomination and Remuneration Committee shall have regard to:

### Appointment Criteria and Qualification

- Ø 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.
- Ø 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.



- Ø Appointment of Independent Directors shall be subject to provisions of Companies Act, 2013, read with schedule IV and rules made thereunder and shall also be subject to Listing Regulation and guidelines in this respect issued by the Reserve Bank of India for Non Banking Financial Companies.
- Ø Appointment of Managing/Whole Time Directors shall be subject to Companies Act, 2013, read with schedule V and rules made thereunder.

### Terms/ Tenure

#### Ø Managing Director/Whole Time Director

The Company shall appoint or re-appoint any person as its Managing Director or Executive Director for a term not exceeding five years at a time and no re-appointment shall be made earlier than one year before the expiry of term.

At the time of appointment of Director, it should be ensured that he/she should not serve as Director in more than seven listed entities.

#### Ø Independent Director

An Independent Director shall hold office for a term up to five consecutive years on the Board of Directors 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.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after the expiry of the 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 he/she should not serve as Independent Director in more than seven listed entities. However, in case such person is serving as a Whole Time Director/Managing Director in any listed entities then the number of Boards on which such person serves as Independent Director is restricted to three listed entities.

Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. Further, the Board of the NBFC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time.

### 9. **Fit & Proper Criteria' in respect of Directors**

At the time of appointment/re-appointment of the Directors, the Company shall be required to follow the due diligence process in regard of Fit and Proper criteria for the Directors

formulated as per Master Circular – “Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015, dated 03<sup>rd</sup> June, 2015:

- ∅ 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. Company should obtain necessary information and declaration from the proposed / existing Directors for the purpose in the format given in Annexure I.
- ∅ The process of due diligence along with scrutiny of the declarations shall be undertaken by the Nomination and Remuneration Committee at the time of appointment / renewal of appointment. Accordingly, the Nomination and Remuneration Committee shall decide on the acceptance or otherwise of the Directors.
- ∅ Every year as on 31<sup>st</sup> March, a simple declaration from the directors shall be obtained that the information already provided has not undergone change and wherever there is any change, requisite details are furnished by them forthwith.
- ∅ It shall be ensured that a ‘Deed of Covenant’ is executed with the nominated/ elected director execute as per the format given in Annexure II.
- ∅ The Committee shall be authorized to undertake any action/ step required to be taken to comply with the requirements prescribed under the RBI Circular or any amendments thereof.
- ∅ The Committee will assess and evaluate the eligibility of the person based on the mentioned Fit and Proper criteria before the appointment or any renewal of appointment of Director and subsequently the aforesaid criteria’s will be reviewed /evaluated by the Committee on continuing basis.
- ∅ The Company shall report to the Reserve Bank of India wherever there is any change.

#### Disqualifications for Appointment of Directors Pursuant to Section 164 of the Companies Act, 2013 and Listing Regulations

- ∅ A person shall not be eligible for appointment as a Director of a Company if:
  - He /She is of unsound mind and stands so declared by a competent court;
  - He /She is an un discharged insolvent;
  - He /She has applied to be adjudicated as an insolvent and his application is pending;
  - He /She has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a Director in any Company;

- An order disqualifying him for appointment as a Director has been passed by a court or Tribunal and the order is in force;
- He /She has not paid any calls in respect of any shares of the Company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- He /She has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years;
- He /She has not complied with sub-section (3) of section 152 of the Act; or
- He has not complied with the provisions of sub-section (1) of section 165 of the Act.

Ø No person who is or has been a Director of any Company which:

- Has not filed financial statements or annual returns for any continuous period of three financial years; or
- Has failed to repay the deposits accepted by it or debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more,

shall be eligible to be re-appointed as a Director of that Company or appointed in the Company for a period of 5 years from the date on which the said company fails to do so.

Ø No person shall be appointed or continue as a Non-Executive Director who has attained the age of seventy-five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

### Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval.

## Removal

Due to any disqualification mentioned in the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and any other applicable statutes, 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 said statute.

## Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013/Other Statutes and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

## 10. Policy relating to the Remuneration for Director, KMP and Senior Management

- Ø The remuneration / compensation / profit-linked commission etc. to the Executive Directors and Independent Directors will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / profit-linked commission etc. shall be in accordance with the percentage/ slabs/conditions laid down in the Articles of Association of the Company, Companies Act, 2013 or provisions of any other applicable Statute and shall be subject to the post/ prior approval of Shareholders of the Company and/or Central Government, whenever required.
- Ø As regards the remuneration of KMP, Senior Management Personnel and other employees, the determination shall be effected by way of recommendation made by Principal-HR and/ or by the Chief Financial Officer with requisite details. The Committee shall peruse the same and approve accordingly.
- Ø Increments to the existing remuneration / compensation structure may be recommended by the Nomination and Remuneration Committee to the Board which should be within the slabs as approved by the Shareholders in the case of Managing/Whole-time Director.
- Ø Where any insurance is taken by the Company on behalf of its Managing/ Whole-time Director, Chief Executive Officer, Chief Financial Officer, 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.
- Ø The Managing/Whole-time Director shall be eligible for monthly remuneration or at a specified percentage of the net profits of the Company or partly by one way and partly by other way as may be approved by the Shareholders of the Company on the recommendation of the Committee and the Board of the Directors. The break-up of the pay scale, performance bonus 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 on the recommendation of the

Committee and shall be within the overall remuneration approved by the shareholders and Central Government, wherever required.

- Ø If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Directors in accordance with the provisions of the Companies Act, 2013 and if it is not able to comply with such provisions, then with the previous approval of the Central Government.
- Ø The Non-Executive/Independent Director may receive sitting fee for attending the meeting of Board of Directors or Committee thereof as may be decided by Board of Directors on the recommendation of Nomination and Remuneration Committee, which shall be subject to applicable provisions of the Act, Rules and Regulations.
- Ø The Independent Director shall not be entitled to any stock option of the Company. However, commission may be paid within the monetary limit approved by the shareholders of the Company, subject to limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of Act.
- Ø Subject to provisions of Listing Regulations, the Company shall undertake Directors and Officers insurance ('D and O insurance') for all its Independent Directors of such quantum and for such risks as may be determined by its Board of Directors.
- Ø If any Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, then such Director 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.
- Ø Further, In line with guidelines issued by RBI, due to misconduct of any employee in any year, or negative financial performance of the company the malus and clawback clauses can be invoked, which requires to revoke or return the previously paid remuneration.

## 11. Provisions for Malus and Clawback

The compensation policy is being amended to include Malus and Clawback clauses

1. As a guiding principle prior to any action being taken by the NRC under this provision, the NRC and the company will ensure due regard to the Principles of Natural Justice.
2. The variable pay part of compensation will be subject to Malus and Clawback arrangements in the event of certain circumstances.
3. Circumstances under which application of Malus and Clawback is to be considered:
  - a. Material breach of company's Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations or any other such instance

for which the NRC, in its discretion, deems it necessary to apply Malus or / and Clawback provisions.

- b. Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
  - c. Wilful misinterpretation / misreporting of financial performance of the company
  - d. Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
  - e. Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
  - f. An act of wilful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the company.
  - g. Malus may also be applied in the situation of significant deterioration of financial or risk performance from one financial year to the next.
4. The performance measures defined as part of goal setting process of the company, business threshold metric and sustainable business strategy framework would form the primary considerations for evaluating the application of Malus in this condition.
  5. The NRC may duly take into consideration factors that were within control of the person, and/ or beyond reasonable control on account of conditions such as macro events, market conditions, industry performance, changes in legal/regulatory requirements, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.

Above events are to be considered by the NRC for application of Malus and Clawback where they result in significant loss to the company or its shareholders.

6. Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

#### 7. Application of Malus & Clawback Provisions

- The NRC will review the requirement to invoke the Malus or Clawback provisions in the event one or more of the circumstances come to light.
- The review by the NRC will aim to determine the involvement, accountability, severity and wilful nature of the act of the concerned person/s
- Bona-fide errors of judgment will not be subject to Malus provisions
- The provision of a Malus arrangement would entail cancellation of deferred portion of variable pay. The NRC may decide to apply Malus on part, or all of the unpaid cash portion of variable pay or unvested ESOPs basis level of involvement, proportionality and impact.



- The provision of Clawback arrangement would entail return of already paid variable pay in cash and/ or ESOPs attributable to a given reference year to which circumstances triggering the provisions of Malus and Clawback are related.
- The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact.

## 12. Disclosures in Board's Report

Unless otherwise provided/permitted under the applicable laws, the Company shall made following disclosures, in relation to remuneration of Director, KMP, Senior Management or other employee, in the Board's Report:

- The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year;
- The percentage increase in remuneration of each Director, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;
- The percentage increase in the median remuneration of employees in the financial year;
- The number of permanent employees on the rolls of Company;
- Average percentile increase already made in the salaries of employee other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof, pointing out if there are any exceptional circumstances for increase in the managerial remuneration;
- Affirmation that the remuneration is as per the remuneration policy of the Company;
- A statement showing the names and other details of the top ten employees in terms of remuneration drawn and the name of every employee, who, :
  - i) If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees;
  - ii) If employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;
  - iii) If employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing Director or Whole-time Director or Manager and holds by himself or along



with his spouse and dependent children, not less than two percent of the equity shares of the Company.

- Any other disclosure(s) and statement(s) as prescribed in applicable laws, if any.

**13. Dissemination**

The requisite details of the Policy to be disclosed in the Annual Report as part of Board's Report therein or upload on the website, as per provisions of applicable legal requirement.

**14. Policy review**

This policy shall be reviewed from time to time so that the policy remains compliant with the applicable legal requirements or as may be prescribed by the Board

**15. Amendment**

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.

This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter.

Managing Director is authorized to approve any minor change modification/ deviations to the policy and will be the competent authority for any interpretation regarding the policy.

## SANNEXURE-I

Name of NBFC: M/s Paisalo Digital Limited

Declaration and Undertaking by Director:

I.	Personal details of director	
a.	Full name	
b.	Date of Birth	
c.	Educational Qualifications	
d.	Relevant Background and Experience	
e.	Permanent Address	
f.	Present Address	
g.	E-mail Address: Telephone Number :	
h.	Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
i.	Relevant knowledge and experience	
j.	Any other information relevant to Directorship of the NBFC	
II.	Relevant Relationships of director	
a.	List of Relatives if any who are connected with the NBFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
b.	List of entities if any in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	

c.	List of entities in which he/she is considered as holding substantial interest within the meaning of NBFC Prudential Norms Directions, 2007	
d	Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)	
e.	Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the NBFC	
f.	Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the NBFC or any other NBFC / bank.	
III.	<b>Records of professional achievements</b>	
a.	Relevant professional achievements	
IV.	<b>Proceedings, if any, against the director</b>	
a.	If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.	
b.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations.	
c.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director.	
d	Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013?	

e.	Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f.	Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars	
g.	Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA	
	(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside into, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc and not on merit, If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)	
V.	Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper.	

### Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the NBFC.

Place : \_\_\_\_\_ Signature  
 Date : \_\_\_\_\_

VI. Remarks of Chairman of Nomination Committee/Board of Directors of NBFC

Place : \_\_\_\_\_ Signature

**ANNEXURE-II**

**FORM OF DEED OF COVENANTS WITH A DIRECTOR**

THIS DEED OF COVENANTS is made this day of \_\_\_\_\_ 20..BETWEEN M/s Paisalo Digital Limited, having its registered office at 101 CSC Pocket-52, CR Park Near Police Station New Delhi - 110019 (hereinafter called the 'NBFC") of the one part and \_\_\_\_\_, S/o \_\_\_\_\_, R/o \_\_\_\_\_ (hereinafter called the "Director") of the other part.

**WHEREAS**

- A. The director has been appointed as a director on the Board of Directors of the NBFC (hereinafter called "the Board") and is required as a term of his appointment to enter into a Deed of Covenants with the NBFC.
- B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

**NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:**

1. The director acknowledges that his appointment as director on the Board of the NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.
2. The director covenants with the NBFC that:
  - i. The director shall disclose to the Board the nature of his interest, direct or indirect, if he has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the NBFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.
  - ii. The director shall disclose by general notice to the Board his other directorships, his memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
  - iii. The director shall provide to the NBFC a list of his relatives as defined in the Companies Act, 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.

- iv. **The director shall in carrying on his duties as director of the NBFC:**
- (a) use such degree of skill as may be reasonable to expect from a person with his knowledge or experience;
  - (b) in the performance of his duties take such care as he might be reasonably expected to take on his own behalf and exercise any power vested in him in good faith and in the interests of the NBFC;
  - (c) shall keep himself informed about the business, activities and financial status of the NBFC to the extent disclosed to him;
  - (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his obligations as director of the NBFC;
  - (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC;
  - (f) shall bring independent judgment to bear on all matters affecting the NBFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
  - (g) shall in exercise of his judgement in matters brought before the Board or entrusted to him by the Board be free from any business or other relationship which could materially interfere with the exercise of his independent judgement; and
  - (h) shall express his views and opinions at Board meetings without any fear or favour and without any influence on exercise of his independent judgement;
- v. **The director shall have:**
- (a) fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;
  - (b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
  - (c) duty to acquire proper understanding of the business of the NBFC.
- vi. **The director shall:**
- (a) not evade responsibility in regard to matters entrusted to him by the Board;
  - (b) not interfere in the performance of their duties by the whole-time directors and other officers of the NBFC and wherever the director has reasons to believe otherwise, he shall forthwith disclose his concerns to the Board; and

- (c) not make improper use of information disclosed to him as a member of the Board for his or someone else's advantage or benefit and shall use the information disclosed to him by the NBFC in his capacity as director of the NBFC only for the purposes of performance of his duties as a director and not for any other purpose.

3. The NBFC covenants with the director that:

- i. the NBFC shall apprise the director about:
  - (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
  - (b) control systems and procedures;
  - (c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
  - (d) qualification requirements and provide copies of Memorandum and Articles of Association;
  - (e) corporate policies and procedures;
  - (f) insider dealing restrictions;
  - (g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
  - (h) appointments of Senior Executives and their authority;
  - (i) remuneration policy,
  - (j) deliberations of committees of the Board, and
  - (k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- ii. The NBFC shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the NBFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;



- iii. The disclosures to be made by the NBFC to the directors shall include but not be limited to the following :
- (a) all relevant information for taking informed decisions in respect of matters brought before the Board;
  - (b) NBFC's strategic and business plans and forecasts;
  - (c) organizational structure of the NBFC and delegation of authority;
  - (d) corporate and management controls and systems including procedures;
  - (e) economic features and marketing environment;
  - (f) information and updates as appropriate on NBFC's products;
  - (g) information and updates on major expenditure;
  - (h) periodic reviews of performance of the NBFC; and
  - (i) report periodically about implementation of strategic initiatives and plans;
- iv. the NBFC shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- v. advise the director about the levels of authority delegated in matters placed before the Board.
4. The NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
5. The NBFC shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.
6. The director shall not assign, transfer, sublet or encumber his office and his rights and obligations as director of the NBFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the NBFC.
7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the NBFC.
9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For Paisalo Digital Limited

(\_\_\_\_\_)

(\_\_\_\_\_)

Managing Director

In the presence of:

1.....

2.....