



NOMINATION & REMUNERATION POLICY

Ver. 1.0

Abstract

This Policy lays down the nomination and remuneration framework to be adopted by the NRC in appointment etc. of Directors, KMP and Senior Management

VERSION CONTROL

Document Version	Description of Changes	Date	Prepared / Changed by
1.0	First Version	08/05/2025	Mahender Bagrodia/Pranab Goel

DOCUMENT SUMMARY

Document Type	Internal – Confidential
Owner	Business/Finance
Effective Date	9 th May 2025
Review Frequency	Two years

APPROVAL GRID

Level	Name	Designation	Date & Sign
Approved By	Board of Directors		9 th May 2025
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1. Introduction

This Nomination & Remuneration Policy (“**Policy**”) of Shriram Asset Reconstruction Private Limited (“**SARPL**” or “**Company**”) is formulated in accordance with requirements of the Master Direction – Reserve Bank of India (Asset Reconstruction Companies) Directions, 2024, (referred as “**RBI Directions**”), the Companies Act, 2013 (“**Act**”) and its allied rules and other applicable laws (hereinafter referred to as the “**Applicable Laws**”).

2. Objective and Purpose

The objectives and purpose of this Policy are:

- 2.1. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a director (Whole-time/ non-executive/ independent) of the Company (“**Director**”).
- 2.2. To recommend candidates for appointment as Directors, KMP and Senior Management.
- 2.3. To establish and review succession plans of the Board of Directors of the Company (“**Board**”), KMP and Senior Management.
- 2.4. To recommend policy relating to appointment and removal of Directors, KMP and Senior Management.
- 2.5. To recommend policy relating to determination of “fit and proper” criteria for appointment of Directors, CEO and Sponsors.
- 2.6. To recommend policy relating to the remuneration of the Directors, KMP and Senior Management/ other employees to the Board in coordination with the Risk Management Committee of the Company to achieve effective alignment between compensation and risks:
 - To review and approve corporate goals and objectives relevant to the compensation of the whole-time directors, evaluating their performance in light of those goals and objectives and either as a committee or together with the other independent Directors (as directed by the Board),
 - To determine and approve whole-time Directors’ compensation based on this evaluation; making recommendations to the Board with respect to KMP and Senior Management compensation and recommending incentive-compensation and equity-based plans, if any, that are subject to approval of the Board.

3. Constitution of the Nomination and Remuneration Committee

- 3.1. The composition of the Nomination and Remuneration Committee (“**Committee**”) shall be in accordance with the requirements under the Applicable Laws. This Policy is integral to the functioning of the Committee.
- 3.2. While formulating this Policy, the Committee shall consider the factors laid down under Section 178(4) of the Act and the RBI Directions, which are as under:
 - 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, KMP 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.

The Board has authority to reconstitute this Committee from time to time.

4. Definitions

- a. 'Board' means Board of Directors of the Company.
- b. 'Directors' means directors of the Company.
- c. 'Committee' means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Applicable Laws.
- d. 'Company' means Shriram Asset Reconstruction Private Limited.
- e. 'Independent Director' means a director referred to in Section 149(6) of the Act and rules thereunder.
- f. Key Managerial Personnel ('KMP') means following people, which includes people identified by the Company under provisions of the Act:
 - i) the Managing Director or Chief Executive Officer or manager
 - ii) Whole-time Director
 - iii) the Chief Financial Officer;
 - iv) the Chief Operating Officer;
 - v) the Company Secretary; and
 - vi) any other person as defined under the Act from time to time
- g. Senior Management means officers/personnel of the Company who are:
 - i) KMP
 - ii) Members of its core management team excluding the Board and comprising all members of management one level below the executive Directors; and
 - iii) any other officer as determined by the Committee and the Board from time to time.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act and the RBI Directions as may be amended from time to time shall have the same meaning respectively assigned to them therein.

5. General

This Policy is divided into three parts:

Part – A covers the matters to be dealt with and recommended by the Committee to the Board.

Part – B covers the appointment and removal of Directors, KMP and Senior Management; and

Part – C covers the remuneration for Directors, KMP and Senior Management

Part – A

Matters to be dealt with, perused and recommended to the Board by the Committee

The following matters shall be dealt with by the Committee:-

- (a) Identification and recommendation of candidates for appointment as Directors, KMP and Senior Management:

The Committee shall identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this Policy and recommend to the Board their appointment and removal. In this regard, the Committee may rely on the Company's management, or external search firm(s), or a mix of both, as the Committee deems fit from time to time.

- (b) Size and composition of the Board:

Periodically reviewing the size and composition of the Board to (i) have an appropriate mix of executive, non-executive and independent directors to maintain its independence and separate its functions of governance and management and (ii) ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company.

- (c) Formulation of criteria and recommendation of Policy for remuneration of Directors, KMP and other employees:

Formulating the criteria determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, KMP and other employees.

For every appointment of an independent director, the 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:

- (i) use the services of an external agencies, if required;
- (ii) consider candidates from a wide range of backgrounds, having due regard to diversity; and consider the time commitments of the candidates.

- (d) Succession plans:

Establishing and reviewing succession plans of the Board, KMP and Senior Management in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior

Management.

(e) Evaluation of performance:

- (i) make recommendations to the Board on appropriate performance criteria for the Directors.
- (ii) formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company or engage with a third-party facilitator in doing so.
- (iii) identify ongoing training and education programs for the Board to ensure that non-executive Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.

(f) Remuneration framework and policies:

The Committee is responsible for reviewing and making recommendations to the Board on:

- a. Remuneration of whole-time Directors to be presented for shareholders' approval including severance, if any.
- b. Individual and total remuneration of non-executive Directors and the chairperson (if non- executive), including any additional fees payable for membership of Board committees.
- c. the remuneration and remuneration policies for KMP and Senior Management including base pay, incentive payments, equity awards, if any, retirement rights, severance pay, if any, and service contracts having regard to the need to:
 - (i) attract and motivate talent to pursue the Company's long term growth;
 - (ii) demonstrate a clear relationship between executive compensation and performance;
 - (iii) be reasonable and fair, having regard to best governance practices and legal requirements;
 - (iv) balance between fixed and incentive pay reflecting short and long-term performance objectives as appropriate for the Company and its goals; and
 - (v) ensure that the compensation packages are aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity (if any) and other forms of compensation are consistent with risk alignment.
 - (vi) consider that compensation packages consist of appropriate mix of fixed, variable pay, sign-on bonus (if any).
- d. the Company's incentive compensation and equity-based plans (if any) including a consideration of performance thresholds and regulatory and market requirements.

PART – B

Policy for appointment and removal of Directors, KMP and Senior Management

(a) Appointment criteria and qualifications

1. The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director, KMP or Senior Management and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.

2. A person to be appointed as Director, KMP or Senior Management should possess adequate qualification, expertise and experience for the position he/she is considered for.
3. A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors/areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members. The person should qualify as "fit and proper" person in accordance with criteria prescribed under the RBI Directions.
4. For every appointment of an independent director, the 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 for such role shall meet the description.
5. The Company shall appoint or continue the employment of a person as managing director/ whole-time director and non-executive Director who has not attained the maximum age of retirement as prescribed under Applicable Laws. No person shall continue as MD/ CEO or Whole-time Director of the Company beyond the age of 70 years.
6. A whole-time KMP of the Company shall not hold any office (including directorship) in any other ARC, NBFC – Middle Layer or NBFC – Upper Layer, except holding directorship position in the Company's subsidiary, if any, in accordance with specific permission from the Board of the Company for the said directorship. The KMP can hold directorship in any NBFC – Base Layer in accordance with specific permission of the Board of the Company for the said purpose.
7. The term/ tenure of the Directors, KMP and Senior Management/ other employees shall be in accordance with the Applicable Laws and their respective contracts/ terms of appointment including shareholders and/or government approvals, where relevant.
8. No person shall be appointed/ re-appointed as a Director or Managing Director or Chief Executive Officer of the Company unless such appointment has already been approved by the RBI upon an application made by the Company in accordance with RBI Directions.
9. Every Director/ MD/ CEO of the Company shall furnish such information as required under the RBI Directions annually as on March 31 of each year. Any change in position with reference to matters as prescribed under the RBI Directions shall be communicated to the Department of Regulations of the RBI for its consideration.
10. The NRC shall require its directors to execute a covenant in the format prescribed under the RBI Directions at the time of joining the Company, binding them to discharge their responsibilities to the best of their abilities, individually and collectively.

(b) Removal

Due to reasons for any disqualification mentioned in the Applicable Laws, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the Applicable Laws.

(c) Retirement

The Directors, KMP and Senior Management shall retire as per the applicable provisions of the Applicable Law and relevant policies of the Company. The Board will have the discretion to retain the Directors, KMP and Senior Management in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company, subject to compliances/ approvals as required under the Applicable Laws.

PART – C

Policy relating to the remuneration for Directors, KMP and Senior Management

(a) General

1. The remuneration / compensation / commission etc. to be paid to Directors will be determined by the Committee and recommended to the Board for approval, in accordance with the requirements under the Applicable Laws.
2. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the shareholders in the case of Managing Director/ Whole-time Director.
3. Where any insurance is taken by the Company on behalf of its Directors, KMP and Senior Management 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.
4. The performance of MD/ CEO and WTD shall be reviewed by the Board annually. The NRC shall make its recommendations to the Board to enable to Board to undertake performance review.

(b) Remuneration to KMP and Senior Management

The pay program for KMP and Senior Management shall have at least two pay components: Base/Fixed Pay, and Performance Bonus. The pay program may include a sign-on bonus payable to KMP and Senior Management.

1. **Base/ Fixed pay:** It is guaranteed pay and paid periodically, usually monthly or bi-monthly or as per payroll policy by country/ region.
2. **Performance Bonus:** Cash bonus, payable on the achievement of objective and quantifiable key performance indicators (KPI) as established by the Committee.

The total rewards for KMP and Senior Management is designed to ensure their continued alignment with organizational goals. The Committee aims to ensure that KMP and Senior Management pay is reflective of market pay, consisting of a mix of base/ fixed pay, and performance bonus.

(c) Remuneration to other employees

The compensation for other employees would be as per the compensation policy of the Company, as revised through the annual compensation review process from time to time and approved by the

Managing Director/ Chief Executive Officer, in consultation with the Head-HR.

(d) Minimum remuneration to Directors in the event of inadequate / no profits

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Directors including any managing or whole-time director or manager, or any other non-executive director, including an independent director in accordance with the provisions of Schedule V of the Act.

(e) Remuneration to the Directors

The remuneration payable to each Director 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 Applicable Laws.

- i. Stock incentive: The Independent Directors shall not be entitled to any stock incentive of the Company.
- ii. 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 net profits of the Company computed as per the applicable provisions of the Act. Sitting fees paid to the non-executive Directors shall not be included within the said limit of 1% of the net profits.

Criteria for payment of remuneration as determined by the Board	
Particulars	Amount in Rs.
Sitting fee for Board meetings	1,00,000/-
Sitting fee for Board Committee meetings	50,000/-

The payment is subject to deduction of tax at source (TDS) as required by applicable tax laws. In case if any tax is deducted at source as per applicable tax laws, a certificate as prescribed by law will be issued for the amount of tax withheld. The Company shall seek necessary and relevant tax documents as per applicable law in seeking waiver or reducing any applicable withholding taxes.

6. References and Linkage

The Policy shall be read along with charter of the NRC. The charter of the NRC is available at ____.

7. Policy review

- (a) This Policy is framed based on the provisions of the Applicable Laws.
- (b) In case of any subsequent changes in the provisions of the Applicable Laws which makes any of the provisions in the Policy inconsistent with such provision of the Applicable Laws, then such provisions of the Applicable Laws would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with Applicable Laws.
- (c) This Policy shall be reviewed by the Committee as required from time to time, but no longer than once in two years. Any changes or modification to the Policy as recommended by the Committee would be placed before the Board for their approval.