



IIFL FINANCE

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Nomination and Remuneration Policy

I. OBJECTIVE:

This policy on Nomination & Remuneration of Directors, Key Managerial Personnel (“KMP”) and Senior Management has been approved by the Nomination & Remuneration Committee (“The Committee”) and Board of Directors. The Key objectives of the Committee would be:

- To guide the Board in relation to appointment and removal of Directors, KMP and Senior Management.
- Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, KMP and other employees.
- Formulation of criteria for evaluation of Independent Director and the Board.
- To evaluate the performance of the members of the Board.
- To recommend to the Board on Remuneration payable to the Directors, KMP and Senior Management.
- To provide to KMP and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To devise a policy on Board diversity.

II. DEFINATIONS:

- **“ACT”** means the Companies Act, 2013 and Rules framed there under, as amended from time to time.
- **“Board”** means Board of Directors of the Company.
- **“Company”** means “IIFL Finance Limited”
- **“Independent Director”** means a director referred to in Section 149(6) of the Companies Act, 2013.
- **“Key Managerial Personnel” (KMP) means:**
 1. Managing Director, or Chief Executive Officer or Manager;
 2. Whole-time Director;
 3. Chief Financial Officer;
 4. Company Secretary and such of other officer as may be prescribed.

- **“Policy or This Policy”** means Nomination & Remuneration Policy.
- **“Remuneration”** means any money or its equivalent given or passed to any person for service rendered by him and includes perquisites as defined under the Income- Tax Act, 1961.
- **“Senior Management”** shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.”

III. Role of the Committee:

- Succession planning of the Board of Directors and Senior Management Employees;
- Identifying and selection of candidates for appointment as Directors /Independent Directors based on certain laid down criteria;
- Identifying potential individuals for appointment as Key Managerial Personnel and to other Senior Management positions;
- Formulate, review and implement from time to time the policy for selection and appointment of Directors, Key Managerial Personnel and senior management employees and their remuneration;
- Review the performance of the Board of Directors and Senior Management Employees based on certain criteria as approved by the Board. In reviewing the overall remuneration of the Board of Directors and Senior Management, the Committee ensures that the remuneration is reasonable and sufficient to attract, retain and motivate the best managerial talent, it also ensures that the relationship of remuneration to performance is clear, that the performance meets the appropriate performance benchmarks and that the remuneration involves a balance between fixed and incentive pay, reflecting the short- term and long- term objectives of the Company;
- Devising a policy on diversity of board of directors;
- Administer, monitor and formulate detailed terms and conditions of the employees’ stock option scheme;
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.



- Ensure 'fit and proper' status of proposed/ existing directors as per RBI guidelines and there is no conflict of interest in appointment of Directors on Board of the Company, KMPs and Senior Management.
- 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, at the time of every appointment of independent director. For the purpose of identifying suitable candidates:
 - a) may use the services of an external agencies, if required;
 - b) may consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c) may consider the time commitments of the candidates.
- Ensure that the compensation levels of Key Managerial Personnel and Senior Management are supported by the need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process.

IV. MEMBERSHIP OF THE COMMITTEE:

- The Committee shall comprise of at least three (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent. The Chairman of the Company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee.
- The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act and Listing Regulations and such other applicable statutory requirement.
- Minimum two (2) members or one third of the members of the Committee, whichever is greater, including at least one independent director in attendance shall constitute a quorum for the Committee meeting.
- Membership of the Committee shall be disclosed in the Annual Report.
- Term of the Committee shall be continued unless terminated by the Board of Directors.

V. FREQUENCY OF MEETING:

The Meeting of the Committee shall be held at least once in a year.

VI. Appointment and removal of Directors, Key Managerial Personnel and Senior Management:

1. Appointment Criteria and Qualifications:

- a) A person being appointed as Director, KMP or in senior management should possess adequate qualification, expertise and experience for the position he/ she is considered for appointment.
- b) Independent Director:
 - (i) Qualifications of Independent Director:

An Independent Director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, operations or other disciplines related to the Company's business.

- (ii) Positive attributes of Independent Directors:

An Independent Director shall be a person of integrity, who possesses relevant expertise and experience and who shall uphold ethical standards of integrity and probity; act objectively and constructively; exercise his responsibilities in a bona-fide manner in the interest of the company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.

2. Removal:

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, Rules and Regulations.

3. Retirement:

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in



the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

4. Remuneration:

1. Directors:

a. Executive Directors (Managing Director, Manager or Whole Time Director):

- (i) At the time of appointment or re-appointment, the Executive Directors shall be paid such remuneration as may be mutually agreed between the Company (which includes the N&R Committee and the Board of Directors) within the overall limits prescribed under the Companies Act, 2013.
- (ii) The remuneration shall be subject to the approval of the Members of the Company in General Meeting as per the requirement of the Companies Act, 2013.
- (iii) The remuneration of the Manager/ CEO/ Managing Director/ Whole Time Director is broadly divided into fixed and incentive pay reflecting short-term and long- term performance objectives appropriate to the working of the Company. In determining the remuneration (including the fixed increment and performance bonus), the Committee shall consider the following:
 - the relationship of remuneration and performance benchmark;
 - balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;
 - responsibility required to be shouldered, the industry benchmarks and the current trends;
 - The Company's performance vis-à-vis the annual budget achievement and individual performance.

b. Non-Executive Director:

- (i) The Non-Executive Director may receive fees for attending meeting of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.
- (ii) A Non-Executive Director may be paid commission on an annual basis, of such sum as may be approved by the Board on the recommendation of the Committee.
- (iii) The Committee may recommend to the Board, the payment of commission, to reinforce the principles of collective responsibility of the Board.
- (iv) In determining the quantum of commission payable to the Directors, the Committee shall make its recommendation after taking into consideration the overall performance of the Company and the onerous responsibilities required to be shouldered by the Director.



- (v) The total commission payable to the Directors shall not exceed prescribed limits as specified under Companies Act, 2013.
- (vi) The commission shall be payable on prorata basis to those Directors who occupy office for part of the year.

2. KMP & Senior Managerial Personnel:

The remuneration to the KMP and Senior Management Personnel will be based on following objectives :

- a) To attract motivate and retain competent personnel
 - b) To emphasize on “pay for performance” by aligning incentives with business strategies to reward personnel who achieves or exceed Company and individual goals.
- l) The remuneration pay-mix aims to strike the appropriate balance between key components as listed below:
1. Fixed Pay: Based upon the individual role, responsibilities and experience in relation to the performance of day-to day activities. Includes basic salary, allowances and other statutory/ non-statutory benefits which are part of remuneration package in line with market practices.
 2. Performance Bonus: Based on the extent of achievement of individual performance vis-à-vis overall performance of the Company. Tied to relevant financial and operational metrics with priorities/focus areas for the business.
 3. Long-term incentives: Based on principle to incentivize Stretch performance, link executive remuneration to sustained long term growth and act as a retention and reward tool. These plans are considered for key employees, based on their contribution, position, and length of service, in the nature of ESOP/ESPS and /or Deferred pay bonus.
 4. Any other benefits/perquisites as may be periodically determined relevant by the HR policies of the Company.

II) Risk & Compliance:

The Company shall ensure that the remuneration programs do not encourage excessive risk taking. The company shall review the remuneration programs keeping in mind the balance between risk and pay out.

III) Guaranteed bonus:

Guaranteed bonus will not be awarded by the Company to Managerial Person, KMPs and senior management other than for new hires as joining/sign-on bonus only in the first year. Any such guaranteed bonus, if required, may be in the form of cash or share-linked instruments and shall neither be considered part of fixed pay nor of variable pay.

IV) Malus/Claw back clause:

In case of incidents related to fraud or non-compliance with any requirement of the Companies Act 2013 and the rules made thereafter, the Company, in accordance with Board and committee directives may recover, the deferred pay remuneration, of what would be payable to the personnel as per pertaining to the relevant performance year. The committee also reserves the right to include any additional conditions which may trigger Malus/Clawback provisions over and above those defined herein.

5. Evaluation:

The Committee shall carry out evaluation of performance of every Director at regular interval (yearly). The Committee shall also formulate and provide criteria for evaluation of Independent Directors and the Board as a whole, if applicable.

VII. DEVIATIONS FROM THIS POLICY:

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

VIII. REVIEW/REVISION OF POLICY:

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions. The Board and/or its Committee reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.