



Nomination and Remuneration Policy

Laxmi India Finance Private Limited (Formerly known as Laxmi India Finleasecap Private Limited)

**(Sapne Dekho, Bade Dekho, Hamare Saath Unhe
Pura Hote Dekho)**



Version History		
Version	Name of Policy/Document	Date of Approval/Review
1.0	Nomination and Remuneration Policy	February 12, 2022
2.0	Nomination and Remuneration Policy	May 06, 2023



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1. Introduction

Laxmi India Finance Private Limited (Formerly known as Laxmi India Finleasecap Private Limited) (hereinafter referred as “the Company” or “LIFPL”) “a Non-Banking Financial Company (‘NBFC’) holding a valid Certificate of Registration (“CoR”) with Reserve Bank of India (‘RBI’) vide registration no. B-10.00318 dated March 31, 2023 under current RBI classification as NBFC - Investment and Credit Company (NBFC-ICC) – Non Deposit taking Systemically Important (‘ICC-ND-SI’) with more than 20 years of experience in asset finance business.

It is focused on offering financing of MSME, Loan against property, Vehicle Loan, Loan for Vehicle Insurance, Personal and Business Loan.

2. Regulatory Requirement

The Nomination and Remuneration Policy is being formulated in compliance with Section 178 of Companies Act 2013 read along with the applicable rules thereto, as amended from time to time. This policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP) of LIFPL, has been approved by the Board of Directors. This policy shall act as guidelines on matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel and Senior Management.

3. Definitions

Unless otherwise stated, capitalised terms used in this Policy have the meanings ascribed to them hereunder.

- 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 Act and applicable Listing Regulations.
- d. **‘Company’** means Laxmi India Finance Private Limited (Formerly known as Laxmi India Finleasecap Private Limited).
- e. **‘Independent Director’** means a Director referred to in Section 149(6) Act and rules and Listing Regulations.
- f. **‘Key Managerial Personnel (KMP)’** means:
 - i) the Managing Director or Chief Executive Officer or manager
 - ii) Whole-time Director
 - iii) the Company Secretary;
 - iv) the Chief Financial Officer; and
 - v) Any other person as defined under the Act from time to time
- g. **‘Senior Management (SMP)’** shall derive the meaning from Section 178 of the Act as amended from time to time.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

4. Objective

This objective of the policy is to ensure that:

- a) To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management
- b) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.



- c) To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- d) To formulate criteria for evaluation of performance of Chairman, Independent Directors, Board as a whole and the Committees of the Board.
- e) To formulate the criteria for determining qualifications, positive attributes and independence of a directors and recommend to the Board a policy relating to the remuneration of Directors, Key Managerial Personnel and other employees.
- g) To assist the Board in fulfilling responsibilities.
- h) To retain, motivate and promote talent and to ensure their sustainability and create competitive advantage.
- i) To implement and monitor policies and processes regarding principles of corporate governance.
- j) To provide to Key Managerial Personnel and Senior Management, reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- k) To devise a policy on diversity of board of directors;

5. Constitution of the Nomination and Remuneration Committee

The Board has the power to constitute/reconstitute the Committee from time to time in order to make it consistent with company's policies and applicable statutory requirements. As per Companies Act, 2013 Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors. Further details of members of the Committee shall be disclosed in the Board Report.

6. Role of the Committee

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

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

6.2 Policy for appointment and removal of Director, KMP and Senior Management

6.2.1 Appointment criteria and qualifications

- a. 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.



- b. 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.
- c. The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

7. Meetings of the Committee

The meeting of the Committee shall be held at regular intervals as deemed fit and appropriate. The Company Secretary of the Company shall act as the Secretary of the Committee. The Chairman of the Committee or in his absence any other member of the Committee authorized by him on his behalf shall attend general meetings of the Company.

A member of the Committee is not entitled to participate in the discussions when his/her remuneration is discussed at a meeting or when his/her performance is being evaluated and the Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. Nomination Process

- a. The Nomination & Remuneration Committee shall be responsible to review the structure, composition and diversity of the Board and make recommendations to the Board on any proposed changes/ new appointments to complement the Company's objectives and strategies.
- b. The Committee shall ensure that the Board has appropriate skills, professional knowledge, characteristics and experience in diverse fields like finance, banking, insurance, economics, corporate laws, administration, etc. required as a whole and by its executive directors, non- executive directors and independent directors in their individual capacity.
- c. The Committee may on annual basis review the appropriate skills, knowledge and experience required for the Board as a whole and its individual Directors.

REMUNERATION DUTIES

The duties of the Committee in relation to remuneration matters include:

- to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the working of the Company.
- to delegate any of its powers to one or more of its members of the Committee.
- to consider any other matters as may be requested by the Board.
- Professional indemnity and liability insurance for Directors and senior management.

9. Policy for Remuneration to Directors/KMP/Senior Management Personnel

9.1 Remuneration to Managing Director / Whole-time Directors

- a) The Remuneration/ Commission etc., to be paid to Managing Director / Whole time Directors, etc. Shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the Members of the Company, wherever required.



- b) The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.

9.2 Remuneration to Non-Executive & Independent Directors: -

- a) Sitting Fees: The Non-Executive Directors and Independent Directors of the Company are entitled to sitting fees as determined by Board from time to time for attending Board / Committee meetings thereof in accordance with the provisions of the Companies Act, 2013 and rules made thereunder.
- b) The expenses for attending the Board/Committee/general meetings including the travelling, boarding and lodging expenses shall be reimbursed by the Company.
- c) Commission: - The profit-linked commission shall be paid within the monetary limit approved by the shareholders of the Company.
- d) An Independent Director shall not be eligible to get Stock Options and also shall not be eligible to participate in any share based payment schemes of the Company.
- e) Any remuneration paid to Non-Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration, and following conditions shall be satisfied:
 - i. The Services are rendered by such Director in his capacity as the professional; and
 - ii. In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.

9.3 Remuneration to Key Managerial Personnel and Senior Management

- a) The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.
- b) The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from time to time, by the Managing Director of the Company as per the Company's Policy.
- c) The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

* The expression "senior management" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads

10. Terms and Tenure

1. Managing Director / Whole-time Director / Manager (Managerial Person): - The Company shall appoint or re-appoint any person as its Managerial Person for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

2. Independent Director: - An Independent Director may hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the 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 expiry of three years of ceasing to become an Independent Director.



Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

11. Performance Evaluation

The Nomination and Remuneration Committee (“NRC”) shall specify the manner for effective evaluation of performance of Board, its committees and individual directors of the Company.

The Board of Directors shall carry out the performance evaluation of every individual director except the director being evaluated, along with its various Board Committees and Board as whole. Performance evaluation shall be carried out at least once in a year in accordance with the manner prescribed in **Annexure-1** hereto.

The performance evaluation of KMPs (excluding executive directors) shall be performed by Nomination & Remuneration Committee of the Company on annual basis or at the time of salary appraisals and performance evaluation of SMPs shall be performed by the Managing Director/ CEO of the company.

12. Removal

Owing to reasons for any disqualification mentioned in the applicable law, the Committee may recommend to the Board with reasons recorded in writing, removal of director and KMP subject to provisions and compliance of the Applicable law.

The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company subject to such approvals as may be required in this regard.

13. Fit and Proper Criteria

At the time of appointment/re-appointment of the Directors, the Company shall be required to follow the due diligence process as stated in the Company’s Policy on Fit and Proper criteria for the Directors required as per RBI Master Direction DNBR.PD.008/03.10.119/2016-17.

The basic objective of ascertaining the fit and proper criteria shall be to put in place an internal supervisory process on a continuing basis and to determine the suitability of the person for appointment/ continuing to hold appointment as a Director of the Board of the Company. The Candidate at the time of appointment and at the time of the renewal of Directorship shall fill in such form as prescribed by the Reserve Bank of India and/ or any other regulatory authority to enable the Committee undertake such exercise of ensuring the 'Fit and Proper Criteria'

14. Annual Evaluation of the Board by Independent Directors

The Independent Directors of the Company meet once on an annual basis. A formal evaluation of the Board and Governance structure of the Company is carried out by the Independent Directors, basis and including but not limited to following evaluation criteria:

- a) Board effectiveness and regular functioning
- b) Meetings and procedures
- c) Business strategy
- d) Risk Management
- e) Board and Committee communication

Feedback, if any provided is shared and discussed at meeting of Nomination and Remuneration Committee and noted by the Board



15. Review

This Policy shall be reviewed by the Nomination and Remuneration Committee (“Committee”) as and when any changes are to be made in the Policy. Any changes or modification in the Policy as recommended by the Committee shall be presented to the Board for their approval.

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.



Annexure-1- Policy on Evaluation of Performance of Directors and the Board

1. About the Policy:

The Company believes in conducting its affairs in a fair and transparent manner by adopting professionalism, honesty, integrity and ethical behaviour, in consonance with the Code of Conduct of the Company. The overall effectiveness of the Board of Directors (“Board”) shall be measured on the basis of the ratings obtained by each Director and accordingly the Board (hereinafter referred to as the ‘Board’ which term shall be deemed to include Committee i.e. Nomination & Remuneration Committee (“NRC”) shall decide the Appointments, Reappointments, and Removal of the non-performing Directors of the Company.

2. Objective of the Policy:

- Adopt best practices to evaluate the performance of every individual Directors (including the Chairperson and Independent Directors of the Company), Board as whole and various committees of Board in ideal manner;
- Ensure compliance of the Applicable Law relating to the evaluation of performance of the Directors and the Board;
- Improve the directors’ and committees’ effectiveness, to maximize their strength and to tackle their shortcomings.
- Achieve good Corporate Governance as well as sustained long-term value creation for stakeholders;

3. Criteria of Performance Evaluation:

The Nomination and Remuneration Committee has laid down the criteria for evaluation of Performance of individual Directors (including the Chairperson and Independent Directors of the Company) the Board and various committees of Board as listed below: -

- Attendance and Participation at meetings of the Board and Committee thereof,
- Expertise, skills, behavior, leadership qualities, sense of sobriety and understanding of business, strategies direction to align company’s value and standards;
- Knowledge of finance, accounts, legal, investment, marketing, foreign exchange / hedging, internal controls, risk management, assessment and mitigation, business operations, processes and Corporate Governance;
- Ability to create a professional environment that drives value creation and a high quality of debate with robust and probing discussions;
- Effective decisions making ability to respond positively and constructively to implement the same to encourage more transparency;
- Open channels of communication with executive management and other colleague on Board to maintain high standards of integrity and probity;
- Recognize the role which he/she is expected to perform, internal communication amongst the Board to make decisions objectively and collectively in the best interest of the Company to achieve organizational success;
- Rational, sound and broad thinking and a vision on corporate social responsibility, etc;
- Decision making on sales and marketing, raising and evaluating best source of finance, assessment of working capital, geopolitics, human resources and understanding financial statements and assessing business performance, etc;
- Ability to monitor the performance of management and satisfy himself/herself with integrity of the financial controls and systems in place by ensuring appropriate contact with external stakeholders; and
- His/ her contribution to enhance overall brand image of the Company.



4. Evaluation Process

In conformity with the requirement of Applicable Law, the performance evaluation of individual Directors (including the Chairperson and Independent Directors of the Company), Board and its committees to be carried out in following manner:

- All Directors shall carry out the performance evaluation of every individual director (including the Chairperson and Independent Directors except the Director being evaluated).
- All Directors shall also undertake the performance evaluation of Board as whole and various committees of Board.

The evaluation of performance of Board, its committees and individual directors should be carried out at least once in a year accordance with the above manner and as per the format approved by Nomination & Remuneration Committee.

5. Board Member Feedback:

The Company believes in value for its stakeholders through ethical processes and integrity. The Board of Directors plays a very important role in ensuring that the Company's performance is monitored, and timely inputs are given to enhance its performance and set the right direction for growth. Hence, it is important that every individual Board Member effectively contributes to the Board deliberations.

6. Procedure to Rate the Performance:

Based on evaluation criteria, the Nomination & Remuneration Committee and the Board shall rate the performance of the individual Directors (including the Chairperson and Independent Directors of the Company) Board and its various Committees. The performance rating shall be made on the five rating criteria of Excellent, Good, Satisfactory, Below Satisfactory and Poor, where Excellent is the highest Standard and the Poor being the lowest standard to the rating. Based on the rating of performance, the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or removal/retirement of the member based on his / her performance rating as to create and maintain the most effective and powerful top level management of the Company for its future growth, expansion, diversification and also to maximize the returns on investments to the Stakeholders of the Company.

7. Meeting for Evaluation of Performance of Board Members:

The Summary of performance evaluation of Individual Directors (including the Chairperson and Independent Directors), Board as whole and various committees of Board should be presented to Nomination & Remuneration Committee and Board on annual basis.

Further the Independent Directors shall also hold a meeting at least once in any given year, without the presence of the non-Independent Directors of the Company, to:

- review the performance of non-independent directors, Board as a whole and various committee(s) of Board;
- review the performance of the Chairperson of the Company, considering the views of whole-time directors and non-executive directors;
- assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties. All Independent Directors shall strive to attend such meeting.