



Veritas Finance Private Limited –
Appointment, remuneration and
evaluation policy

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Veritas Finance Private Limited

Appointment, remuneration and evaluation policy

REVISION HISTORY

S. No.	Revision Details	Date
1	The existing policy includes the criteria for Nomination and Remuneration of Directors, Key Managerial Personnel, Senior Management and other employees and is now amended to include the provisions under the RBI' Scale Based regulations and Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs. Accordingly, the nomenclature of the policy is also changed from "Directors' Appointment, remuneration and evaluation policy" to "Appointment, remuneration and evaluation policy".	27.04.2023

Preamble:

Pursuant to Section 178 of the Companies Act, 2013 (“the Act”), listing regulations and requirements of the Reserve Bank of India, policy on Nomination and Remuneration of Directors, Key Managerial Personnel, Senior Management and other employees had been formulated including criteria for determining qualifications, positive attributes, Independence of a Director and other matters as required under the said Act and Listing Regulations.

The policy, thus, provides the remuneration guidelines for the following employees:

- Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- Company secretary; and
- Chief Financial Officer
- Any other officer as may be prescribed

Definitions:

- a) **Independent Director:** Independent Director means a director referred to in Section 149(6) of the Act, as amended from time to time.
- b) **Nominee Director:** Director appointed by the Major Investor as per the terms of the Shareholders Agreement.
- c) **Key Managerial Personnel:** Key Managerial Personnel (KMP) means — (i) Chief Executive Officer (CEO) and/or the Managing Director (MD) (ii) Chief Operating Officer (COO) (iii) Chief Financial Officer (CFO) (iv) Company Secretary and Compliance Officer and (v) Such other Officer as may be prescribed.
- d) **Remuneration:** Remuneration means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.
- e) **Senior Management:** Senior Management means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Managing Director, including all functional heads.

The objectives of this policy:

- a) To evaluate the performance of the members of the Board.
- b) To develop and recommend to the Board a set of corporate governance principles, takes a leadership role in shaping the corporate governance of the company.
- c) To make recommendations to the Board as to the size, composition, structure of the Board and also evaluation criteria of the independent directors, including Chairman, conduct annual review of the performance of the Managing Director and/or Chief Executive Officer and also oversee the Company’s Managing Director’s and/or Chief Executive Officer’s succession planning process.

- d) To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- e) To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

Nomination and Remuneration Committee (NRC):

1. Composition of the Nomination & Remuneration Committee: The composition of the Committee to be in compliance with the Act, Rules made thereunder, as amended from time to time.

Chairperson: Chairperson of the Committee shall be an Independent Director as may be elected by the members of the Committee.

Quorum: Quorum for Meeting of the Committee shall be construed as per the requirements under the Companies Act 2013 (“Act”) and in line with the agreed terms as mentioned in the Share Holders Agreement (SHA) as amended from time to time.

Frequency of meetings: The Committee may meet at such times and at such intervals as it may deem necessary.

2. Role of the Committee:

The role and responsibilities of the Committee shall include, but not be restricted to:

- a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
- b) To screen and review the identified proposals for considering appointment as Board Members and make suitable recommendations to the Board for appointment of such individuals for Directorships.
- c) To assess the independence of Independent Directors;
- d) To review the results of the Board performance evaluation process that relate to the composition of the Board;
- e) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive.
- f) Annual appraisal of the performance of the Managing Director and fixing the terms of his remuneration.
- g) Annual appraisal of the performance of the Senior Management reporting to Managing Director i.e. CBO, COO, CFO and Head-Human Resources and fixing terms of their remuneration.
- h) Administration of ESOP Schemes of the Company as approved from time to time.

- i) The Board has the power to constitute/ reconstitute the Committee from time to time in order to make it consistent with the Company's policy and applicable statutory requirement.

At present, the Committee comprises of following Members:

- i. Mr. Abhijit Sen (Independent Director - Chairman of the Committee)
- ii. Mr. N. Mohanraj (Independent Director)
- iii. Ms. Priyamvada Ramkumar (Nominee Director)
- iv. Mr. Parin Mehta (Nominee Director)

3. Key Principles

The Nomination and Remuneration Committee (NRC) shall review and recommend to the Board, through its annual review process (or such periodicity as it deems appropriate), adopting the key principles of remuneration.

- Benchmarked to appropriate market: The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate employees of the quality required to run the Company successfully.
- Adopt a Pay for Performance philosophy such that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- Have an appropriate balance in pay mix: The remuneration has a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals. For the Senior Management, variable pay shall be higher at higher levels of responsibility and subject to the following principles:
 - a) It shall be commensurate with the role and prudent risk taking profile of KMPs and Senior Management employees;
 - b) Can be reduced to zero based on performance at an individual, business-unit and companywide level.
- Be financially viable and relevant to market practices and commensurate to skills:
 - a) taking into account, financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, and any other relevant factors that the Committee may deem fit;
 - b) be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.
- The compensation of KMPs and Senior Management shall be aligned effectively with prudent risk taking to ensure that
 - a) compensation is adjusted for all types of risks;
 - b) the compensation outcomes are symmetric with risk outcomes;
 - c) compensation pay-outs are sensitive to the time horizon of the risks, and
 - d) the mix of cash, equity and other forms of compensation are consistent with risk alignment.
- Compliant with local laws:

- a) Remuneration for Senior Management is in compliance with the relevant provisions of the Companies Act, 2013.
- b) Remuneration for all employees are in compliance with the relevant provisions of Payment of Wages Act, Minimum Wages Act, and such other relevant Labour Laws of the country as may be applicable to the Company from time to time.

4. Compensation Governance:

- The Board of Directors must actively oversee the compensation system’s design and operation,
- The Board of Directors must monitor and review the compensation system to ensure the system operates as intended,
Staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in Veritas.

5. Appointment and removal of Director, KMP and Senior Management:

Appointment criteria and qualification:

The Committee shall ascertain the integrity, qualification, expertise and experience of the person, identified for appointment as Director and recommend to the Board his / her appointment after taking the prior consent from the Reserve Bank of India (RBI) as per the “Fit and Proper” criteria guidelines of the Reserve Bank of India (RBI).

The NRC shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.

- I. Qualification, expertise and experience of the Directors in their respective fields;
- II. Personal, Professional or business standing;
- III. Diversity of the Board.

For the appointment of KMP (other than Managing Director) or Senior Management, a person should possess adequate qualification, expertise and experience for the position he / she is considered for the appointment.

Further, for administrative convenience, the appointment of KMP (other than Managing Director) or Senior Management, the Managing Director is authorized to identify and appoint a suitable person for such position.

However, if the need be, the Managing Director may consult the Committee / Board for further directions / guidance.

Tenure of appointment: The Term of the Directors including Managing Director / Independent Director shall be governed as per the provisions of the Act and Rules made thereunder, as amended from time to time. Whereas the term of the KMP (other than the Managing Director) and Senior Management shall be governed by the prevailing HR policies of the Company.

Removal:

A. Employees: Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations thereunder and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, employment agreements etc., the Committee may recommend, to the Board, with reasons recorded in writing, removal of a KMP or Senior Management Personnel.

B. Independent Director: Disqualification shall be done on the following conditions as specified below:

- a. Director incurs any of the disqualifications specified in section 164;
- b. Director absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;
- c. Director acts in contravention of the provisions of section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested;
- d. Director fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested, in contravention of the provisions of section 184;
- e. Director becomes disqualified by an order of a court or a Tribunal;
- f. Director is 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.

Under Section 169 of the Companies Act, 2013 which pertains to removal of directors, an independent director appointed for a second term shall be removed by the company only by passing a special resolution and after giving him a reasonable opportunity of being heard. Further, a special notice is required for removal of a director and such director is entitled to attend the general meeting and is eligible to be heard on the resolution at the meeting.

C. Nominee Director: The appointment and Removal of Investor Nominee Directors are as per the agreed terms mentioned in the Share Holders Agreement as amended from time to time.

6. Performance Evaluation of the Board, Committees and each of the Directors

Pursuant to the provisions of the Companies Act, 2013, the Board will carry out annual performance evaluation of its own performance, its Committee's and the Directors individually covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance etc. A separate exercise to evaluate the performance of individual Directors including the Chairman of the Board / Committees will be evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its minority shareholders etc.

Framework for performance evaluation of Directors, Board and committees is as per Annexure A to this Policy.

7. Remuneration of Managing Director and/or Chief Executive Officer, KMP and Senior Management

The remuneration / compensation / commission, etc., as the case may be, to the Managing

Director and/or Chief Executive Officer, KMPs and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission, etc., as the case may be, shall be subject to the approval of the shareholders of the Company and Central Government, wherever required and shall be in accordance with the provisions of the Act and Rules made thereunder.

Further, the Managing Director and/or Chief Executive Officer of the Company in consultation with the NRC is authorized to decide the remuneration of Senior Management, and which shall be decided by the Managing Director based on the standard market practice and prevailing HR policies of the Company.

The NRC Committee determines the annual variable pay compensation in the form of annual incentive and annual increment for the KMPs based on Company's and individual's performance as against the pre-agreed objectives for the year.

The KMPs, except a promoter director, is also eligible for ESOPs as per the scheme in force from time to time. Grants under the Scheme shall be approved by the NRC Committee.

The compensation structure shall broadly comprise the following components:

1. Fixed Pay
2. Variable Pay

Composition of Fixed Pay:

- The CTC consists of various components including basic salary, allowances and retiral.
- Allowances include a basket of components including House Rent Allowance, Medical Reimbursement, Leave Travel Allowance & Special Allowance or any other allowance(s) introduced from time to time.
- Retirals include statutory contributions such as Employer's contribution to Provident Fund, Leave Encashment & Gratuity. The Basic salary is determined as a fixed percentage of the Gross Salary to maximum extent possible, thereby ensuring prudent management of the compensation structure.

Composition of Variable Pay:

The Variable pay serves as an effective instrument for managing employee costs in line with business cycles whilst simultaneously reinforcing a meritocratic performance culture. The variable compensation will consist of performance bonus/sales incentives as applicable to different roles. The variable pay for field frontline employees is given in the form of monthly incentives. Incentive payouts are based on individual performance targets. The details of the types of variable pay are as follows:

Annual Performance Bonus (APB): The KMPs and Senior executives of the Company, are eligible for the Annual Performance Bonus. The APB is dependent on individual performance and the organisation's performance for the financial year. The performance rating assigned is based on the assessment of performance delivered against a set of defined performance objectives.

ESOPs: The KMPs and Senior executives are eligible for long-term incentive plan in the form of ESOPs, as per the scheme in force from time to time. Grants under the Scheme are approved by the NRC Committee.

Insurance: Based on the grade and seniority of employees, benefits for employees include: Health-related including health (hospitalization) insurance for self and family Life insurance covering accident, disability etc.,

Car Scheme: In addition to the above, the Senior Employees may also be eligible and be provided with Company Car, Mobile and such other benefits and such other perquisites as may be determined and issued from time to time based on the company policy.

Retention pay: The executive committee may decide to offer retention payment to certain senior or key employees as a means to retain them, based on the merits of exigencies, in the best interests of the Company.

8. Compensation for Risk Control and Compliance Staff:

To ensure a robust Risk Management and Control Mechanism, it is intended that KMPs and Senior Management engaged in financial control, risk management, compliance and internal audit are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the company. Accordingly, the company shall ensure that the mix of fixed to variable compensation for control function is weighted in favour of fixed compensation and in line with the RBI guidelines for NBFCs.

9. Malus and Clawback:

Malus: Malus arrangement is applicable for all types of variable pay (Cash / Deferred cash / ESOP / Deferred Incentive Plan / Bonus), which is not yet vested/paid, or vested but not paid/exercised. Payment of all, or part, amount of Variable Pay can be secured under Malus.

Clawback: Previously paid or already vested Variable Pay can also be recovered under this clause. This arrangement is applicable either fully or partially for all types of variable pay. The clawback will be applicable to employees even after their separation from the Company.

Malus & Clawback may be applied under the following circumstances:

- a. Fraud, misfeasance, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information pertaining to the Company;
- b. Willful misinterpretation / misreporting financial performance of the Company;
- c. Material failure in risk management controls or material losses due to negligence in risk-taking which are attributable to the employee, whether directly or indirectly;

- d. Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement, or an act of a felonious or criminal nature;
- e. Non-disclosure of material conflict of interest by the employee or any misuse of official powers;
- f. An act of willful, reckless, or grossly negligent conduct which is detrimental to the interest or reputation of the company monetarily or otherwise;
- g. Any breach of the Code of Conduct, Non-Disclosure Agreement, regulatory procedures, internal rules, and regulations, or any other such instance for which the NRC/MD, in their discretion, may deem it necessary to apply malus or / and clawback provisions;

Malus may be applied under the following additional circumstances:

- a. Deterioration of financial performance of the Company going into losses in the Profit after Tax from one financial year to the next; or vs budget for the year; or any other criteria laid down by the NRC / MD from time to time;
- b. In case any deferred / LTI plan is issued which is linked to the performance of an employee and the defined performance parameters are not met by the employee
- c. On Resignation or separation of the employee from services of the Company

In deciding the application of malus/clawback to any part or all of variable pay or incentives (whether paid, vested or unvested), the NRC / MD will follow due process and adhere to the principles of natural justice and proportionality. Further, in assessing the quantum of cancellation/withdrawal, the NRC/MD will take into consideration all relevant factors, including inter alia, internal factors such as the role and responsibilities of the employee, culpability and proximity to the misconduct as well as any external factors, including but not restricted to exception situations like Covid19, that may have been beyond the control of the concerned employee.

No variable pay / New Grants:

Under certain circumstances, the company may decide not to issue any new grants / approve any variable pay / incentive pay for the year, or for a specific period, to an employee individually, or to a group of employees collectively, or to all employees.

10. Remuneration to Independent Director

Independent Directors are paid remuneration by way of Sitting Fees as approved by the shareholders.

The sitting fee payable to the Independent Director for attending the Board and Committee meetings is fixed subject to the statutory ceiling. The fee is reviewed periodically and aligned to comparable best in class practices.

The independent directors of the company shall hold at least one meeting in a year, without

the attendance of non-independent directors and members of management. a resolution will be passed in the Board for payment of sitting fees to the independent Directors for attending the meetings of the Board or Committee thereof or for any other purpose whatsoever as may be decided by the Board. Section 197 of Companies Act, 2013 also provides for the payment of Commission to Independent Directors up to a maximum of 1% of the net profit of the Company as determined by the Board from time to time.

The sitting fees, as the case may be, to the Independent Director, shall be in accordance with the provisions of the Act and the Rules made thereunder for the time being in force or as may be decided by the Committee / Board / shareholders.

11. Policy Review

Subject to the approval of the Board, the Nomination & Remuneration Committee reserves the right to review and amend this policy, if required, to ascertain its appropriateness as per the needs of the Company. This policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee and wherever required the recommendation to the Board will be made for its approval.

Annexure A

The evaluation framework for assessing the performance of Directors comprises of the following key areas:

- Expertise;
- Objectivity and Independence;
- Guidance and support in context of life stage of the Company;
- Understanding of the Company's business;
- Understanding and commitment to duties and responsibilities;
- Willingness to devote the time needed for effective contribution to Company;
- Participation in discussions in effective and constructive manner;
- Responsiveness in approach; and
- Ability to encourage and motivate the Management for continued performance and success.

The evaluation involves assessment of each member of the Board, by the Directors excluding the person who is being evaluated. A member of the Board will not participate in the discussion of his / her evaluation.

MATRIX FOR EVALUATION OF INDEPENDENT DIRECTOR

S. No.	Criteria of Evaluation	Rating				Remarks
		1	2	3	4	
1.	Attendance and participation in the meetings					
2.	Raising of concerns to the Board					
3.	Safeguarding of confidential information					
4.	Rendering independent, unbiased opinion and resolution of issues at meetings					
5.	Initiative in terms of new ideas and planning for the Company					
6.	Safeguarding interest of whistle-blowers under vigil mechanism					
7.	Timely inputs on the minutes of the meetings of the Board and Committees, if any					

Rating:

- 1 - Always
- 2 - Mostly
- 3- Sometimes
- 4- Occasionally

MATRIX FOR EVALUATION OF NOMINEE DIRECTOR

S. No.	Criteria of Evaluation	Rating				Remarks
		1	2	3	4	
1.	The Director attends the Board & Committee meetings regularly					
2.	The Director invest time in understanding the company and its unique requirements					
3.	The Director brings in external knowledge and perspective to the table for discussion					
4.	The Director expresses his views on issues at the Board					
5.	The Director keeps himself updated on areas and issues that are likely to be discussed at the Board Level					
6.	The Director is guided by the requirements of the various provisions as applicable to the investor they are representing as given in the Shareholders Agreement as amended from time to time					

Rating:

- 1 - Always
- 2 - Mostly
- 3- Sometimes
- 4- Occasionally