



UTKARSH COREINVEST LIMITED
Nomination and Remuneration Policy

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NOMINATION AND REMUNERATION POLICY

1. BACKGROUND

The Nomination and Remuneration Policy of Utkarsh CoreInvest Ltd (erstwhile Utkarsh Micro Finance Limited) ("the Company") has been prepared in accordance with the requirements of the Companies Act, 2013, ("Act") read along with the rules thereto, if any applicable.

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 and Guidelines of Reserve Bank of India on Corporate Governance Norms for NBFCs.

2. OBJECTIVE AND PURPOSE

The Key Objectives of the Committee would be:

- a. Ensuring fit and proper status of proposed / existing Directors as per the RBI guidelines
- b. To guide the Board by laying down criteria and terms and conditions in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management Personnel
- c. To evaluate the performance of the members of the Board and provide necessary report to the Board
- d. To devise a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors
- e. To recommend to the Board a policy, relating to the remuneration for directors, Key Managerial Personnel and formulate criteria for remuneration payable to Senior Management Personnel and other employees, including performance-based variable pay and ESOPs, wherever applicable
- f. To introduce necessary initiatives to retain, motivate and promote talent and to ensure long term sustainability of talented Senior Management Personnel
- g. Regular review of the structure, size and composition of the Board (including skills, knowledge and experience) taking into account the current requirements and future developments of the Company and making recommendations to the Board with regard to any adjustments that are deemed necessary
- h. Ensuring that on appointment, all non-executive Directors receive formal written terms of appointment

3. DEFINITIONS

3.1 Key Managerial Personnel ("KMP")

- a. Chief Executive Officer or the Managing Director or the Manager;
- b. Company Secretary,
- c. Whole-time Director;
- d. Chief Financial Officer; and
- e. such other officer as may be prescribed by the Act or rules made thereunder.

3.2 Senior Management Personnel ("SMP")

SMP 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 (with grade of DVP and above) the Managing Directors & CEO and executive directors, including the functional heads.

- 3.3** Unless the context otherwise requires, the “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. APPLICABILITY

The Policy is applicable to all Directors, KMPs, SMPs and other employees.

5. CONSTITUTION, COMPOSITION, QUORUM OF THE NOMINATION & REMUNERATION COMMITTEE

5.1 Number of Members

- a. The Committee shall consist of three or more non-executive directors, half of them being Independent Directors.
- b. The quorum for the Committee meetings is minimum two Directors.
- c. The Chairman of the Committee shall be an Independent Director from amongst the members of the Committee. In the absence of the Chairman, members of the Committee present at the meeting shall choose one of the members of the committee to act as Chairman.
- d. The Chairman of the Board of the Company may be a member of the Committee but will not chair the Committee.
- e. The Chairman of the Committee or in his absence any other member of the Committee authorised by her / him in this behalf, shall attend the general meetings of the Company to respond to shareholders’ queries, if any.
- f. The Composition and Charter or Terms of Reference of the Committee shall be disclosed in the Annual Report.

5.2 Meetings and Invitees to meetings

- a. The Committee will meet as and when required or as mandated by the Board or the Chairman of the Committee.
- b. The Committee may invite such executives, as it considers appropriate to be present at any meeting of the Committee.
- c. The Group Head (HR) / CHRO / HR Officer in-charge shall be the convener of the Committee meetings.
- d. The Company Secretary of the Company shall act as Secretary of the Committee and provide assistance to it.

6. ROLE AND FUNCTIONS OF THE COMMITTEE RELATED TO NOMINATION

6.1 Appointment criteria and qualifications

- a. To identify persons who are qualified to become directors and who may be appointed as KMPs or SMPs, who possess integrity, independence, adequate knowledge, skill, qualification, experience in the field of her/his specialisation commensurate with the proposed role and responsibility as Director, KMP or SMP and shall have the ability to manage the responsibility assigned to her/him.
- b. The Company should ensure that it appoints or continues the employment of any person as Managing Director / Whole-time Director subject to the conditions laid down under Part I of Schedule V of the Companies Act, 2013 and in line with extant RBI guidelines.
- c. To ensure that the Company shall appoint or continue the service of any person as Independent Director subject to the provisions of Section 149 read with Schedule IV

and other applicable provisions of the Companies Act, 2013.

- d. Appointment for any SMP (Executives one level below the MD & CEO, with grade of DVP and above) shall be approved by the Committee, subject to the candidate having been interviewed by at least two (2) members of the Committee. Basis the recommendation of the panel members, the Committee may approve the appointment.

6.2 Tenure of appointment

i. Executive Directors

- a. The Company shall appoint or re-appoint any person as its Managing Director / Whole-time Director by whatever name called, for a term not exceeding five years at a time, subject to Board Approval.
- b. No re-appointment of the Managing Director / Whole-time Director shall be made earlier than one year before the expiry of her/ his term.

ii. Independent Director

- a. An Independent Director shall hold office for a maximum term up to five consecutive years on the Board of the Company and be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report in accordance with the provisions of the Companies Act, 2013 & SEBI (LODR) Regulations, 2015.
- b. No Independent Director shall hold office for more than two consecutive terms, subject to adherence to the relevant sections of Act. However, such Independent Director shall be eligible for appointment after the expiry of three years of ceasing to become an Independent Director.
- c. 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.

6.3 Evaluation

The Committee and the Board shall put in place a mechanism for the review of performance of each independent Director, non-executive Director and whole-time Director on the Board of the Company. The review of performance shall be undertaken once in a financial year. Based on the review of performance, the Board may recommend for the continuance, reappointment or removal of Directors.

6.4 Training of Independent Directors

The Company shall provide suitable training to independent Directors to familiarize them with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. The familiarization programme may include presentations to the Board by the business or regional heads on the performance of the Company with respect to various business parameters, presentations on organizational structure of the Company, etc. The details of such training imparted shall be disclosed in the Annual Report.

6.5 Board Diversity

Pursuant to SEBI LODR, the Company has devised the Policy on Board Diversity to ensure adequate diversity in the Board of Directors. The Company believes that diversity underpins the successful operation on an effective Board and embraces diversity as a means of enhancing the business. With a view to achieve sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential

element in supporting the attainment of its strategic objectives. A diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors.

6.6 Removal

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, 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.

6.7 Retirement

- a. The Director shall retire as per the applicable provisions of the Companies Act, 2013, and KMP and SMP shall retire as per the prevailing Policy of the Company in this regard.
- b. The Board will have the discretion to retain the Director, KMP, SMP in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company, subject to applicable regulatory guidelines.

7. ROLE AND FUNCTIONS OF THE COMMITTEE RELATED TO REMUNERATION

7.1 Remuneration for the Managing Director / Whole-time Director/ Other Director

The remuneration of the Managing Director / Whole-time Director / Other Director will be determined by the Committee and recommended to the Board for approval. The remuneration of the Managing Director / Whole-time Director / Other Director shall be subject to the prior/ post approval of the shareholders of the Company, as per extant applicable guidelines for the Company.

- a. The remuneration payable to the Managing Director / Whole-time Director 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 approval obtained from the members of the Company.
- b. Where any insurance is taken by the Company on behalf of its Directors, Managing Director, KMPs and SMPs 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.

7.2 Remuneration to KMPs and SMPs

a. Regular Pay

The KMPs and SMPs including functional heads, shall be eligible for a monthly remuneration as per Company's Policy, which will consist of Fixed and variable components including perquisites, and statutory benefits to attract, retain and motivate KMPs and SMPs to attain the short and long term performance objectives of the Company.

b. Profit related ex-gratia / performance-based remuneration

i. Managing Director / Whole-time Director/ Other Director

Subject to approval of the Board, in addition to the fixed remuneration, the Managing Director / Whole-time Director / Other Director is entitled to receive remuneration within the limits prescribed under the Companies Act 2013 and performance-based remuneration / stock options under ESOP Plan. Post approval of the Board, granting of such ex-gratia/

performance-based remuneration.

ii. **Other KMPs and Senior Management Personnel**

Subject to approval of the Board, in addition to the fixed remuneration, to motivate executives to pursue the long term growth and success of the Company, KMPs and SMPs are entitled to receive profit related ex-gratia / performance based remuneration/ stock options under ESOP Plan.

c. **Minimum remuneration**

If, in any financial year, the Company has no profits or its profits are inadequate, it shall pay remuneration to its Managing Director / Whole-time Director/ Other Director in accordance with the provisions of Schedule V of the Companies Act, 2013.

7.3 Remuneration to Independent Director

a. **Sitting Fees**

The Non- Executive Director will be payable with sitting fees, if any, subject to the approval of Board of Directors, up to the limit as specified under the Companies Act 2013 and also in compliance with the other applicable law and provision.

b. **Stock Options**

An Independent Director shall not be entitled to any stock option of the Company.

c. **Variable Pay**

In addition to the sitting fees, the Board may, at its discretion, make payment of compensation in the form of Profit-related Commission to the non-executive directors, subject to the Company making profits.

The approval of Shareholders by Special Resolution shall be obtained.

7.4 General Parameters for consideration of Remuneration

- a. The Financial and operating performance of the Company during the three preceding financial years.
- b. the relationship between remuneration and performance.
- c. the principle of proportionality of remuneration within the company, ideally by a rating methodology which compares the remuneration of directors to that of other directors on the board who receives remuneration and employees or executives of the company.
- d. whether remuneration policy for directors differs from remuneration policy for other employees and if so, an explanation for the difference.
- e. the securities held by the director, including options and details of the shares pledged as at the end of the preceding financial year.

7.5 Clawback

- a. The Nomination & Remuneration Committee in an event of conflict of interest may undertake internal investigations and temporarily suspend payments of fees / salary to the Directors until the investigation is completed.
- b. The Nomination & Remuneration Committee shall submit its report to the Board for consideration.
- c. The Board shall have the right in case of conflict of interest being upheld to recover and claw back the payments made to the Director.
- d. The Nomination & Remuneration Committee may engage an external independent

agency to conduct its investigations and such agency shall report its findings to the Board.

8. APPOINTMENT AND REMUNERATION OF OTHER EMPLOYEES OF THE COMPANY

The terms of appointment and remuneration of employees of the Company (other than Managing Director, KMPs and SMPs including functional heads) shall be governed by the relevant policies of the Company.

9. DELEGATION

The Committee or the Board of Directors may delegate one or more powers / responsibilities prescribed in this policy in favour of the Managing Director or any other Officer of the Company for implementation of the policy.

The Charter of NRC would be as follows (including extant terms):

- i. Ensuring fit and proper status of proposed / existing Directors as per the RBI guidelines;
- ii. Regular review of the structure, size and composition of the Board (including skills, knowledge and experience) taking into account the current requirements and future developments of the Company and making recommendations to the Board with regard to any adjustments that are deemed necessary;
- iii. Identification, nomination and recommendation for the approval of the Board, candidates to fill Board vacancies as and when it arises;
- iv. Ensuring that on appointment, all non-executive Directors receive formal written terms of appointment;
- v. Review the composition of Committees of the Board and to identify and recommend to the Board, the Directors who can best serve as members of each Board Committee;
- vi. Recommendation to the Board, the compensation payable to the Chairperson of the Company.

Broadly, the Terms of Reference of NRC would be as follows (including extant terms):

- i. Review the structure, size, composition, diversity of the Board and make necessary recommendations to the Board with regard to any changes as necessary and formulation of policy thereon.
- ii. Evaluate the skills that exist, and those that are absent but needed at the Board level, and search for appropriate candidates who have the profile to provide such skill sets.
- iii. To evaluate the performance of the members of the Board and provide necessary report to the Board.
- iv. Advise criteria for evaluation of Independent Directors and the Board & its Committees and carry out evaluation of every directors' performance.
- v. To formulate the criteria for determining qualifications, positive attributes and independence of a director;
- vi. To recommend to the Board a policy, relating to the remuneration for Directors, Key Managerial Personnel, Senior Management Personnel and other employees.
- vii. To formulate criteria for payment to Key Managerial Personnel and Senior Management Personnel performance based incentives / rewards based on Company's performance.
- viii. Examine vacancies that will come up at the Board on account of retirement or otherwise and suggest course of action.
- ix. Undertake a process of due diligence to determine the suitability of any person for

appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.

- x. Review the composition of Committees of the Board, and identify and recommend to the Board the Directors who can best serve as members of each Board Committee.
- xi. Review and recommend to the Board for approval the appointment of Managing Director & CEO and other whole-time Directors and the overall remuneration framework and associated policy of the Company (including remuneration policy for directors and key managerial personnel) the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation and any other form of compensation as may be included from time to time to all the employees of the Company including the Managing Director & CEO, other Whole-time Directors and senior managers one level below the Board.
- xii. Review and recommend to the Board for approval the total increase in manpower cost budget of the Company as a whole, at an aggregate level, for the next year.
- xiii. Recommend to the Board the compensation payable to the Non-Executive Chairman of the Company.
- xiv. Review the Code of Conduct and HR strategy, policy and performance appraisal process within the Company, as well as any material changes in the organization structure which could have wide ranging implications.
- xv. Review and recommend to the Board for approval of various other HR related policies in the Company for ensuring business continuity, especially at the level of Board, MD & CEO, other Whole Time Directors, Senior Management Personnel (one level below the MD & CEO and other key roles.
- xvi. Review and recommend to the Board for approval:
 - a. the creation of new positions one level below MD & CEO, wherever required.
 - b. appointments, promotions and exits of senior managers one level below the MD & CEO.

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

The Committee shall:

- i. Formulate the criterial for determining qualifications, positive attributes and independence of a director.
- ii. Identify persons who are qualified to become directors and persons who may be appointed as KMPs or SMPs in accordance with the criteria laid down in this policy.
- iii. Recommend to the Board, appointment and removal of Director(s), KMP(s) and SMP(s).

Stipulated periodicity of meetings

At least one meeting in a year and as and when required.

10. AMENDMENTS & REVIEW OF THE POLICY

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 in this Policy and this Policy shall stand amended accordingly. The Board has the power to replace this Policy entirely with a new policy on recommendation by the Committee.
