

QRG Investments and Holdings Limited

Nomination and Remuneration Policy

Version 1.0

<p>QRG Investments and Holdings Limited Nomination and Remuneration Policy Version 1.0 Internal</p>	
--	--

Document Control

S No	Type of Information	Document Data
1.	Document Title	QRG Investments and Holdings Limited Nomination and Remuneration Policy
2.	Document Code	QRGIHLNRP
3.	Date of Release	October 22, 2022
4.	Document Superseded	
5.	Document Approvers	Board of Directors

Document Change Approvals

Version No.	Revision Date	Nature of Change	Date Approved
1.0	NA	Initial Version	October 22, 2022

Table of Contents

1.	Introduction	4
2.	Objective.....	4
3.	Definitions	4
4.	Scope	4
5.	Constitution of the “Nomination and Remuneration Committee”	5
6.	Roles of the Committee	5
7.	Principles for compensation of KMPs and Senior Management	5
8.	Frequency of Meetings	7
9.	Conflict of Interest of the Committee Members	7
10.	Appointment of Directors/Key Managerial/ Senior Management Panel	7
11.	Remuneration to Directors/KMP/ Senior Management Personnel	7
12.	Term/Tenure.....	8
13.	Fit And Proper Criteria.....	9
14.	Removal.....	10
15.	Retirement.....	111
16.	Retention features as part of Compensation Package	111
17.	Disclaimer	111
18.	Document Management.....	111

1. Introduction

Nomination and Remuneration Policy of QRG Investments and Holdings Limited (QRGIHL) including Fit and Proper Criteria and compensation is formulated in compliance with Section 178 of the Companies Act, 2013 read with the applicable rules made thereunder and RBI Master Direction- Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs.

QRGIHL considers human resources as its invaluable assets. This policy aims at harmonizing the aspirations of the directors and employees with the goals of the Company.

Human capital is a strategic source for value creation and, therefore, it is necessary to put in place a comprehensive Compensation Policy that is aligned with the market-trend in addition to being employee-friendly.

2. Objective

To ensure that the quantum and composition of remuneration is reasonable and sufficient to attract talents from the market and is able to retain and motivate the employees to run the Company successfully.

To ensure that annual compensation review considers industry/ business outlook and strategies adopted by industry peers, differentiates employees based on their performance, skill sets, risks and responsibilities involved in the role, qualifications, commitment, knowledge in the relevant field in which they are functioning and to protect employees, particularly against inflationary pressures.

To retain and encourage high performers at all levels and those playing critical roles.

3. Definitions

- “Director” means a director appointed to the Board of the Company.
- “Key Managerial Personnel” means
 - i. the Chief Executive Officer or the Managing Director or the Manager;
 - ii. the Company Secretary;
 - iii. the Whole-time Director;
 - iv. the Chief Financial Officer; and
 - v. such other officer as may be prescribed under the Companies Act, 2013.
- “Senior Management” means personnel of the Company who are members of its core management team excluding the Board of Directors, comprising all members of the management one level below the executive directors, if any.

4. Scope

The Board has constituted the “Nomination and Remuneration Committee” (NRC) in line with the requirements under the provisions of the Companies Act, 2013 and RBI guidelines. This Policy sets out the broad guiding principles for the Committee for recommending to the Board

the appointment and remuneration of the Directors, Key Managerial Personnel and Senior Managerial Personnel.

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. The composition of the Committee shall be in line with the requirements of the Act.
- The Company Secretary of the Company shall act as the Secretary of the Committee.
- Membership of the Committee shall be disclosed in the Annual Report.
- The terms of the Committee shall continue unless terminated by the Board of Directors.

6. Roles of the Committee

Roles of the NRC will be the following:

- To formulate criteria for determining qualifications, positive attributes and independence of a Director.
- To formulate criteria for evaluation of Independent Directors and the Board.
- To 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.
- To recommend to the Board the appointment and removal of Directors and Senior Management
- To set out the ‘fit and proper’ criteria based on which existing Directors whose appointment is intended to be continued and new directors proposed to be appointed can be evaluated.
- To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
- To devise a policy on the Board diversity, composition and size.
- To undertake succession planning for replacing Key Executives.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

7. Principles for compensation of KMPs and Senior Management

7.1 Components and risk alignment: The compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices. The compensation packages may comprise of fixed and variable pay components 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, other forms of compensation are consistent with risk alignment.

7.2 Composition of Fixed Pay: All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Monetary equivalent of benefits of non-monetary nature may also be part of fixed pay.

7.3 Principles for Variable Pay

7.3.1 Composition of Variable Pay: The Company will have a performance linked variable pay structure for all employees.

7.3.2 Proportion: The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of KMPs/ senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher. The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and company-wide level. In order to do so, performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.

7.3.3 Deferral of variable pay: Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the Board of the company, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement may be decided by the Board of the company.

7.3.4 Control and assurance function personnel: KMPs and senior management engaged in financial control, risk management, compliance and internal audit may be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the company. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

7.4 Guaranteed bonus: Guaranteed bonus may not be paid to KMPs and senior management. However, in the context of new hiring joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

7.5 Clawback: The deferred compensation may be subject to clawback arrangements in the event of subdued or negative financial performance of the company and/or the relevant line of business or employee misconduct in any year.

8. Frequency of Meetings

- The meeting of the Committee shall be held at regular intervals as may be deemed fit and appropriate.
- The quorum for the Committee Meeting shall be either two members or one-third of the members of the Committee, whichever is greater, including at least one Independent Director in attendance.
- The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

9. Conflict of Interest of the Committee Members

A member of the Committee is not entitled to participate in the discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated.

10. Appointment of Directors/Key Managerial/ Senior Management Panel

The NRC, inter-alia, considers qualifications, positive attributes, areas of expertise and number of Directorships and Memberships held in various committees of other companies by such persons for selection and makes recommendations to the Board of Directors for their consideration and approval. Similarly, the Committee should consider the requirement of skills, educational qualifications, experience, etc., of persons whose cases the Committee would recommend for appointment as Key Managerial and Senior Management Personnel.

11. Remuneration to Directors/KMP/ Senior Management Personnel

11.1. Remuneration to Managing Director / Whole-time Directors:

- a) The Remuneration/ Compensation, etc., to be paid to Managing Director /Whole-time Directors shall be governed by the provisions of the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force and the approvals obtained from the Members of the Company.
- b) The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration payable to Managing Director / Whole-time Director.

11.2. Remuneration to Non- Executive / Independent Directors:

- a) The Non-Executive / Independent Directors may receive sitting fees and such other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- b) All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the

Companies Act, 2013) shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.

- c) 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 meant for Directors/ Key Managerial Personnel.
- d) 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 for the purposes of clause (b) above if the following conditions are satisfied:
 - i. The services are rendered by such Director in his capacity as a professional; and
 - ii. In the opinion of the Committee, the Director possesses the requisite qualification for the practice of that profession.

11.3. Remuneration to KMP or other Senior Management Personnel

The remuneration structure shall include the following components:

- (i) Basic Pay
- (ii) Perquisites and Allowances
- (iii) Retirement Benefits, if any
- (iv) Performance Linked Incentives/Annual Bonus as decided from time to time.
- (v) Others as may be specified including Insurance Premium if any

11.4. Remuneration to all employees including KMPs and Senior Management Personnel

All employees shall be assigned grades/bands according to their qualifications and work experience, competencies as well as their roles and responsibilities in the organization. Individual remuneration shall be determined within the appropriate grade/ bands and shall be based on various factors such as job profile, skill sets, seniority, experience, performance and prevailing remuneration levels for equivalent jobs.

12. Term/Tenure

a) Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Director 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.

b) Independent Director:

An Independent Director shall 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 of upto maximum of 5 years each.

13. Fit And Proper Criteria

The Nomination and Remuneration Committee of the Board of Directors is dedicated to ensuring the continuance of a dynamic and forward-thinking Board and recommend to the Board qualified candidates for directorship. The process of due diligence along with scrutiny of the declarations shall be undertaken by the Nomination and Remuneration Committee at the time of appointment/ renewal of appointment. Accordingly, the Nomination and Remuneration Committee shall decide on the acceptance or otherwise of the Directors.

Before recommending a nominee's candidature to the Board for being appointed as a Director, the following Fit and Proper criteria set out may be applied as guidelines in considering potential nominees to the Board of Directors.

General Criteria

- Prior to appointment of any person as Director on the Board or continuing the appointment of any such Directors, the Committee shall undertake adequate due diligence in respect of such person to ascertain suitability on the basis of the qualification, expertise, track-record, integrity of such individual and also such other factors in respect of which information is obtained by the Company in the Declaration and Undertaking from such person.
-
- The background and qualifications of the Directors should provide a significant breadth of experience, knowledge and abilities to assist the Board in fulfilling its responsibilities.
- Directors should be selected so that the Board of Directors should remain as a diverse body, with diversity reflecting gender, ethnic background, country of citizenship and professional experience. Because a mix of viewpoints and ideas enhances the Board's ability to function effectively, the Committee shall consider the diversity of the existing Board when considering potential nominees, so that the Board maintains a body of directors from diverse professional and personal backgrounds.
- Potential nominees shall not be discriminated against on the basis of race, religion, national origin, sex, disability, or any other basis prohibited by law.
- Any nominee should be free of any conflict of interest which would violate any applicable law or regulation or interfere with the performance of the responsibilities of a director.
- Commitment of the nominee to understanding the Company and its industry,

embracing the organization's values to help shape its vision, mission and strategic direction including oversight of risk management and internal control.

- Commitment of the nominee to spending the time necessary to function effectively as a Director, including attending and participating in meetings of the Board and its Committees.

Specific Criteria

- Prior to the appointment of any person as Director on the Board, the Company shall obtain necessary information and declaration from the proposed/existing Directors for the purpose in the format prescribed by the RBI.
- The Company shall also obtain the Deed of Covenants signed by its Directors in the format prescribed by the RBI.
- Demonstrated business acumen, experience and ability to use sound judgment and to contribute to the effective oversight of the business and financial affairs of a large, multifaceted, global organization.
- The nominee reflects the right corporate tone and culture and excels at board-management relationships.
- Experience in strategic planning and managing multidisciplinary responsibilities, the ability to navigate among diverse professional groups and points of view, a track record of communicating effectively in a global environment, and high standards of integrity and professional conduct.
- Nominees understand and endeavour to balance the interests of shareholders and/or other stakeholders and put the interests of the company or organization above self-interest. He/she has demonstrated a commitment to transparency and disclosure.
- He/ she is committed to superior corporate performance, consistently striving to go beyond the legal and/or regulatory governance requirements to enhance, not just protect, shareholder value.

Nominee contributes to effective governance through superior, constructive relationships with the Executive Directorate and management.

14. Removal

The Committee may recommend with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions of the Companies Act, 2013, rules and regulations and the policy of the Company.

15. 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 even after attaining the retirement age for the benefit of the Company.

16. Retention features as part of Compensation Package

Based on the organizational need for retaining performing employees and those in critical roles, certain retention features may be rolled out as part of the overall compensation package. These may take form of Retention Bonuses (RBs), Long-term Incentives (LTIs), etc.

17. Disclaimer

The Board on its own and/or as per the recommendations of Nomination and Remuneration Committee can amend this policy, as deemed fit, from time to time.

18. Document Management

- This policy will be reviewed as and when required.
- This procedure replaces any other procedure issued earlier by the Company to the extent specifically covered here. This policy should be followed both in letter and spirit.
- The Company is committed to continuously reviewing and updating policies and procedures-based on the Company's risk assessment and incorporating any regulatory requirement as maybe required.
- Any amendment to this procedure or issue of any guidance or circular etc. under this procedure has to be approved in writing by the approving authority.
