

**KINARA CAPITAL PRIVATE LIMITED**

*(formerly known as Visage Holdings and Finance Private Limited)*

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## **Nomination and Remuneration Policy**

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## **Nomination & Remuneration Policy**

### **1. Objective**

The objective of this Policy is to provide a framework and set standards for the appointment of high-quality directors and KMPs who have the capacity and ability to lead the Company towards achieving sustainable development.

### **2. Purpose of the Document**

The purpose of the document is to exhibit how the Company aims to achieve a balance of experience and skill amongst its directors, according to the needs of its business model. It also defines the role of the Nomination and Remuneration Committee.

### **3. Key Considerations**

Role and Procedure for appointment and compensation of Directors, Key Managerial Personnel and Senior Management Personnel.

### **4. Definitions/Abbreviations**

4.1. "Company" shall mean Kinara Capital Private Limited (formerly known as Visage Holdings and Finance Private Limited).

4.2. "Associate" shall mean a company which is an "associate" as defined in Accounting Standard (AS)23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

4.3. "RBI" Reserve Bank of India

4.4. "NBFC" Non-Banking Finance Company

4.5. "RMC" Risk Management Committee

4.6. "ESOP" Employee Stock Options

4.7. “Retention Period” A period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed.

4.8. “KMP” shall mean Key Managerial Personnel as defined in RBI Circular RBI circular vide Ref.No.DoS.CO.PPG / SEC.3 / 11.01.005 / 2022 shall be those functionaries, who are members of the NBFC's core management team, vested with managerial responsibilities and include CEOs, CFOs, WTDs and those reporting to Committees of the Board / Board, including those who are the heads of Control, Assurance and Vigilance functions. At Kinara, this will include the following:

- a. the Chief Executive Officer or the managing director or the manager.
- b. the Company Secretary;
- c. the Whole-time Director;
- d. the Chief Financial Officer
- e. the Chief Technology Officer
- f. the Internal Audit Head
- g. the Compliance Head
- h. the Chief Risk Officer

4.9. “SMP” shall mean Senior Managerial 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 Department Heads reporting to KMPs

4.10. “Relative” shall mean “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.

## **5. Constitution of Nomination and Remuneration Committee (NRC)**

The Board of the Company has constituted a NRC. Its role, scope and constitution are defined and approved by the Board.

- 5.1. One of the responsibilities of the NRC is to oversee the framing, review, and implementation of the compensation practices of the organization.
- 5.2. The NRC also ensures ‘fit and proper’ status of proposed/existing directors, and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management.
- 5.3. Two out of three members of the NRC are independent directors.
- 5.4. Two members of the NRC are also members of the Risk Management Committee (RMC) of the Board. This ensures effective alignment between compensation and risk.
- 5.5. The Constitution of the NRC is reviewed periodically by the Board.

## 6. Role of the NRC

The Nomination and Remuneration Policy (the “Policy”) applies to the Board of Directors (the “Board”), KMPs and SMPs of Kinara Capital Private Limited.

- 6.1. The Board is ultimately responsible for the appointment of Directors. In terms of Section 178 of the Companies Act, 2013, the Nomination and Remuneration Committee (“NRC”) assesses and selects candidates for Directors (both independent and non-independent) and recommends to the Board for their appointment.
- 6.2. The NRC shall also ensure that the remuneration payable to the Managing Director(s), CEO, Whole-time Directors and KMPs Personnel are in accordance with the provisions of prevalent Shareholders’ Agreement, Articles of Association of the Company and the Companies Act, 2013 and the Rules made thereunder (including any statutory modifications or re-enactments thereof) for the time being in force and the Regulations prescribed by RBI including those on malus and claw back, as per RBI Circular dated 29th April 2022.
- 6.3. The Company shall ensure to comply with RBI directions to seek prior approval, wherever applicable, before effecting appointment of non-independent director as an additional director.
- 6.4. The NRC is responsible for:
  - a. Reviewing the structure, size and composition (including the skill, knowledge and experience) of the Board for recommending any proposed changes to the Board with due regard to Board diversity and company needs
  - b. Identifying individuals suitably qualified to become Board members and KMPs.
  - c. The KMPs are responsible for identifying individuals suitably qualified to be SMPs. From time-to-time, the KMPs may seek the help of the NRC in this regard.
  - d. Making recommendations to the Board on the appointment, re-appointment or removal of directors and KMPs.
  - e. Making recommendations for succession planning for KMPs and other SMPs including the Managing Director(s), Whole-time Director(s) and CEO.
  - f. Formulating criteria for evaluation of performance of every Director including Independent Directors and the Board and KMPs;
  - g. Recommending remuneration payable to KMPs Personnel, executive and non-executive Directors including sitting fees.
  - h. NRC shall ensure fit and proper status of the proposed and existing directors and that there is no conflict of interest of directors on the Board of the Company, KMPs and SMPs.

## **7. Appointment of Directors**

Matching the needs of the Company and enhancing the competencies of the Board is the basis for the NRC to select a candidate for appointment to the Board. While recommending a candidate for appointment, the NRC will have regard to:

- 7.1. Assessing the individual against a range of criteria including but not limited to academic qualifications, industry experience, background, and other qualities required to operate successfully in the position, with due regard to the benefits of diversity of the Board.
- 7.2. The extent to which the individual is likely to contribute to the overall effectiveness of the Board and work constructively with the existing Directors.
- 7.3. The skills and experience the individual brings to the role and how these will enhance the skill sets and experience of the Board as a whole.
- 7.4. The nature of positions held by the individual including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment.
- 7.5. The time and commitment required by a director to actively discharge his/her duties to the Company.
- 7.6. The recommended Director should:
  - a. Have experience of management in a diverse organization.
  - b. Have excellent interpersonal, communication and representational skills, leadership skills.
  - c. Possess high standards of ethics, personal integrity and probity.
  - d. Continuously refresh his professional knowledge and skills.
- 7.7. Every Director should ensure that he/she can give sufficient time and attention to the Company's affairs and regularly attend Board meetings and other committee meetings in which he/she is a member.
- 7.8. The Policy aims at engaging directors (including non-executive and independent non-executive directors) who are highly skilled, competent and experienced persons in one or more fields of business, finance, accounting, law, management, sales, marketing, administration, corporate governance, technical operations or other disciplines related to the business of the Company and who shall be able to positively carry out their supervisory role over the policies of the management of the Company and the general affairs of the Company.
- 7.9. The Company is required to appoint at least one Independent Non-executive Director or Non-executive Director who must have the ability to read and understand the accounting or related financials management expertise.
- 7.10. In addition to those requirements specified in clauses 4.2 and 4.3, the Independent Non-executive Directors shall also fulfill the requirements pursuant to Section 149 (6) of the Companies Act, 2013.
- 7.11. In assessing the independence of a non-executive director, the following factors shall be taken into the account:

- 7.12. Independent director shall mean a director other than a Managing Director, Whole Time Director or a nominee director of the Company:
- a. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience.
  - b. who is or was not a promoter of the Company or its holding, subsidiary or associate company.
  - c. who is not related to the promoters or directors in the Company, its holdings, subsidiaries or associate companies.
  - d. who has or had no pecuniary relationship, other than remuneration as such director or having transactions not exceeding ten per cent of his/her total income or such amount as may be prescribed, with the company, its holdings, subsidiaries or associate companies, or their promoters, or Directors, during the two immediately preceding financial years or during the current financial year.
  - e. None of whose relatives:
    - i. is holding any security of or interest in the company, its holdings, subsidiaries or associate companies during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent of the paid-up capital of the company, its holdings, subsidiaries or associate companies or such higher sum as may be prescribed;
    - ii. is indebted to the company, its holdings, subsidiaries or associate companies or their promoters, or Directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
    - iii. has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holdings, subsidiaries or associate companies or their promoters, or Directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or
    - iv. has any other pecuniary transaction or relationship with the company, or its subsidiaries, or its holdings or associate companies amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause i, ii or iii.
  - f. Who, neither himself/herself nor any of his/her relatives:
    - i. holds or has held the position of a KMPs personnel or is or has been an employee of the Company or its holdings, subsidiaries or associate companies in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during the preceding three financial years.

- ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he/she is proposed to be appointed:
  - a) a firm of auditors or Company Secretaries in practice or cost auditors of the Company or its holdings, subsidiaries or associate companies; or
  - b) any legal or a consulting firm that has or had any transaction with the Company, its holdings, subsidiaries or associate companies amounting to ten per cent or more of the gross turnover or such firm;
  - c) holds together with his/her relatives two per cent or more of the total voting power of the Company; or
  - d) is a Chief Executive or Director, by whatever name called, of any non-profit organization that receives twenty-five per cent or more of its receipts from the company, any of its promoters directors or its holdings, subsidiaries or associate companies or that holds two per cent or more of the total voting power of the company; or
- g. who possesses such other qualifications as may be prescribed.

7.13. Each director will be issued a Letter of Appointment signed by the Chairperson of the Board.

7.14. The NRC shall ensure that the appointment of directors will be in terms of the Policy and recommendations made to the Board for appointment.

7.15. If required, an external data-base or recommendations of a consultant, if appointed by the Board, can be used and advice taken to access a wide base of potential directors as prescribed under the Companies Act, 2013.

7.16. The Management will familiarize the Independent Directors on the following:

- a. Company's History, Structure and the Business Model.
- b. Memorandum & Articles of Association of the Company.
- c. Past 3 (three) years accounts and any important factors in the accounts of the Company.
- d. Interaction with other Directors on the Board and with the Senior Executives of the Company.



## **8. Appointment and Remuneration of Managerial Personnel**

As per the RBI Guidelines issued on April 29, 2022, following parameters will be considered for the compensation of KMPs Personnel and Senior Management.

### 8.1. Scope of policy

Applies to all KMPs personnel and SMPs.

### 8.2. Guidelines for Compensation

The NRC has the oversight over framing, review, and implementation of the Company's Compensation Policy on behalf of the Board.

The NRC may work in close coordination with Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risks. Further, the NRC may ensure that compensation levels 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 (ICAAP).

### 8.3. Remuneration Philosophy for the KMPs and SMPs

The Company believes in paying its KMPs and SMPs a competitive remuneration.

The remuneration philosophy aims at the following outcomes.

- Remuneration is structured to align with the Company's interests, taking account of the Company's strategies and risks.
- KMPs and SMPs compensation is linked to individual and company performance, which, in turn, impacts the quantum of payout.
- Compensation is designed to be competitively bench-marked with industry compensation for applicable roles to attract and retain the best talent to the company
- The Company complies with applicable legal requirements and appropriate standards of governance.
- The Company follows a well-defined performance review policy. The assessment parameters are clearly defined and linked with the individual and company's OKRs (Organization Key Results)
- This is shared at the start of the year with the KMPs and SMPs and at the end of the financial year, performance is evaluated accordingly.

### 8.4. Compensation Components

The compensation paid by the Company is broadly classified under following major heads:

8.4.1 Fixed Pay: This includes all fixed components of compensation as listed below

- a. Monthly Fixed Gross Salary (Basic Salary, HRA, Special allowance etc.)
- b. Benefits (Employer Contribution to EPF, Gratuity, Superannuation, NPS, Insurance etc)
- c. All perquisites that are reimbursable and have a monetary ceiling. Monetary equivalent of benefits of non-monetary nature (Company provided car, furnished house, Club membership, etc.)

8.4.2 Variable Pay

This includes variable pay linked to Company's Performance as well as individual's performance. Variable pay for KMPs and SMPs constitutes a significant portion of their total remuneration. The variable pay may include mix of cash and share-linked instruments ("ESOP"). Variable pay is further divided into payments made in cash as incentives and ESOPs. Company has an approved ESOP scheme that follows a 4-year vesting schedule post the grant and ESOPs are granted after one-year completion with the company based on the performance and ESOP pool availability. The policy follows the ESOP model for arriving at the grant of shares based on vintage and the designation. The Board at the recommendation of the NRC may approve ESOPs different to the prescribed model and may also approve accelerated vesting from time-to-time for retention of KMPs and SMPs.

- The sum total of the Fixed Cost and Variable Cost is called the Cost to Company in the relevant KMPs and SMPs compensation package.
- The Company being a regulated entity under RBI Regulations as applicable to NBFCs is obliged to comply with RBI Directions regarding compensation of KMPs and SMPs of NBFCs.
- The Cost to Company being offered to a new hire for a replacement position or new position with reference to scope of this policy is governed by the remuneration philosophy as mentioned in this policy. The endeavor is to ensure internal equity in compensation is maintained, however, at the same time compensation is competitive to attract a new hire.
- Remuneration is annually reviewed for all the KMPs and SMPs who are eligible for compensation review in accordance with the remuneration philosophy.

8.4.3 Principles of Variable pay

- Variable pay as a proportion of total remuneration increases as roles and responsibilities increase.
- The percentage distribution of total remuneration could vary basis roles and responsibility and performance in a given financial year.
- The variable pay component of remuneration is paid to the KMP and SMP basis the final Performance and leadership rating for the year.
- Basis performance, variable pay can be reduced to zero in a given financial year.
- These aspects ensure compensation outcomes are symmetric with risk and performance outcomes.

#### 8.4.4 Deferral of Variable Pay

RBI guidelines for NBFC advise that a certain portion of variable pay, as decided by the Board of the company, may be deferred and this deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Also, a deferral period for such an arrangement may be decided by the Board of the company.

Of the two components of variable pay, the approved ESOP scheme of the company follows a 4-year vesting schedule post the grant (25%: 25%: 25%: 25%) and thus deferral is designed in it and is in line with best practices followed in the banking industry.

Taking the guidelines into consideration, the compensation policy is being revised to start the deferral of the cash component of variable pay. It is proposed to increase the deferred payout over a two-year horizon to facilitate the transition from 100% upfront payout to a 80% payout across levels and 20% is deferred over next two year with effective from FY 25

- The variable pays (Cash Component) payout is deferred over (1) one year post the year of performance for C level in the current FY 24 and for other KMPs and SMPs will be effective from FY 25

The distribution of variable pays for the current financial and future year after the performance appraisal the payout is as below

	<b>Payout</b>	<b>FY23-24</b>	<b>FY24-25</b>	<b>FY25-26</b>	<b>FY26-27</b>
FY23-24	CXOs	90%	10%		
FY24-25	All KMPs and SMPs		80%	10%	10%

- The vesting of deferred cash component of variable pay will continue as per schedule above even after separation of the employee from the services of the company except in the event of this separation being on account of Malus or Clawback conditions as defined below.
- In the event of death or permanent disability of the employee, whole of the deferred variable pay will immediately vest to the employee's nominee or the employee, as the case may be, except in situations where provisions of Malus / Clawback as defined below.

#### 8.5. 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.

#### 8.6. Control and Assurance

- The KMPs and SMPs engaged in control functions including financial control, risk management, compliance and internal audit have different performance measures that are independent of the business areas they oversee.
- The RMC and Audit Committee reviews the performance of KMPs and SMPs independently and advises the company on their performance which in turn results in the variable part of their compensation.

#### 8.7. Provisions for Malus and Clawback

The variable part of compensation will be subject to Malus and Clawback arrangements in the event of certain circumstances.

As a guiding principle, prior to any action being taken by the NRC under this provision, the NRC and the company will ensure due regard for the Principles of Natural Justice.

- Material breach of company's Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus or / and Clawback provisions.
- Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
- Willful misinterpretation / misreporting of financial performance of the company.
- Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
- An act of willful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the company.
- Malus may also be applied in the situation of significant deterioration of financial or risk performance from one financial year to the next.
  - The performance measures defined as part of goal setting process of the company, business threshold metric and sustainable business strategy framework would form the primary considerations for evaluating the application of Malus in this condition.
  - The NRC may duly take into consideration factors that were within the control of the person, and/ or beyond reasonable control, on account of conditions such as macro events, market conditions, industry performance, changes in legal/regulatory requirements, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.

- The above events are to be considered by the NRC for application of Malus and Clawback where they result in significant loss to the company or its shareholders.
- Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

#### 8.8. Application of Malus & Clawback

- The NRC will review the requirement to invoke the Malus or Clawback provisions in the event one or more of the circumstances come to light.
- The review by the NRC will aim to determine involvement, accountability, severity and willful nature of the act of the concerned person/s.
- Bonafide errors of judgment will not be subject to Malus provisions.
- The provision of a Malus arrangement would entail cancellation of a deferred portion of variable pay. The NRC may decide to apply Malus on part, or all of the unpaid cash portion of variable pay or unvested ESOPs basis level of involvement, proportionality and impact.
- The provision of Clawback arrangement would entail return of already paid variable pay in cash and/ or ESOPs attributable to a given reference year to which circumstances triggering the provisions of Malus and Clawback are related.
- The NRC may decide to apply Clawback on part, or all of the variable pay basis level of involvement, proportionality and impact.
- Malus/ Clawback clause can be applied for a period of 4 years after the date of grant of Total Variable Pay
- The above events are to be considered by the NRC for application of Malus and Clawback where they result in significant loss to the company or its shareholders.