



UJJIVAN FINANCIAL SERVICES LIMITED

Nomination and Remuneration Policy (Last updated as on April 23, 2018)

The Governance, Nomination & Remuneration Committee of Ujjivan Financial Services Limited (“the Company”) was constituted on December 18, 2009 comprising of four Non-Executive Directors. At present, the Committee consists of four Non-Executive (Three Independent) Directors. In order to align with the provisions of the Companies Act, 2013, the Board on May 16, 2014 clubbed the “Governance Committee” and “Nomination and Remuneration Committee together and re-named it as “Governance, Nomination and Remuneration Committee” which for all the purposes of the Companies Act, 2013, would be treated as Nomination and Remuneration Committee. The Committee is also in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

1. OBJECTIVE

The Governance, Nomination and Remuneration Committee and this Policy are to ensure compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Section 178(1) prescribes that the Board of Directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors:

However, the Chairperson of the Company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

The Key Objectives of the Committee would be:

- a) 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.
- b) To identify, assess and recommend to the Board nominees for appointment as independent Directors and as Lead Director/Non-Executive Chairman.
- 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 Non-Executive Chairman, conduct annual review of the performance of the Chief Executive Officer and also oversee the Company’s 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.

2. EFFECTIVE DATE:

This policy has been originally formulated by the Governance, Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on November 24, 2014. This version has been approved by the Board on April 23, 2018.

3. DEFINITIONS

- (a) **“Committee”** -Committee means Governance, Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.
- (b) **“Independent Director”** - An Independent Director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director —
- 1) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
 - 2) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
 - 3) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
 - 4) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
 - 5) who, neither himself nor any of his relatives—
 - (1) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - (2) 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 is proposed to be appointed, of—
 - (i) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

- (ii) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;
- (iii) holds together with his relatives two per cent. or more of the total voting power of the company; or
- (iv) is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty- five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or
- 6) who possesses such other qualifications as may be prescribed.
- (c) **“Key Managerial Personnel”** - Key Managerial Personnel means—
- (i) Chief Executive Officer or the Managing Director or the Manager;
 - (ii) Company Secretary,
 - (iii) Whole-time Director;
 - (iv) Chief Financial Officer; and
 - (v) Such other Officer as may be prescribed.
- (d) **“Senior Management”** - Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads.

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. APPLICABILITY

The Policy is applicable to

- All Directors (Executive, Non Executive and Independent)
- Key Managerial Personnel
- Senior Management Personnel

5. CONSTITUTION OF THE COMMITTEE:

5.1 The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.

- 5.2 Minimum two (2) members shall constitute a quorum for the Committee meeting.
- 5.3 Chairman of the Committee shall be an Independent Director.
- 5.4 Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- 5.5 In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- 5.6 Chairman of the Committee or in his absence, any other member of the Committee authorised by him shall attend the General Meetings of the Company.
- 5.7 Membership of the Committee shall be disclosed in the Annual Report.
- 5.8 Term of the Committee shall be continued unless terminated by the Board of Directors.
- 5.9 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 Directors:
 - i. Mr. Abhijit Sen (Independent Director - Chairman of the Committee)
 - ii. Mr. K. R. Ramamoorthy (Independent Director)
 - iii. Mr. Amit Gupta (Non-Executive Director)

6. ROLE OF COMMITTEE

The role of the Committee inter alia will be the following:

- I. To formulate a criteria for determining qualifications, positive attributes and independence of a Director.
- II. To ensure 'fit and proper' status of proposed/ existing Directors
- III. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- IV. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- V. To recommend to the Board the appointment and removal of Senior Management
- VI. To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.
- VII. To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
- VIII. To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- IX. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,

- X. To devise a policy on Board diversity;
- XI. To develop a succession plan for the Board and to regularly review the plan;
- XII. To also act as the ESOP committee for the purposes of SEBI (Share Based Employee Benefits) Regulations 2014 and administer and manage the ESOP Schemes.

7. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

8. GENERAL APPOINTMENT CRITERIA

- 8.1 The Committee shall consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and accordingly recommend to the Board his / her appointment.
- 8.2 The Company should ensure that the person so appointed as Director/ Independent Director/ KMP/ Senior Management Personnel shall not be disqualified under the Companies Act, 2013, rules made thereunder or any other enactment for the time being in force.
- 8.3 The Committee shall ensure that the person to be appointed as Director meets the “fit and proper criteria” as prescribed by the RBI.
- 8.4 The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder or any other enactment for the time being in force.

9. ADDITIONAL CRITERIA FOR APPOINTMENT OF INDEPENDENT DIRECTORS

The Committee shall consider qualifications for Independent Directors as mentioned in herein earlier under the head ‘Definitions’ and also their appointment shall be governed as per the provisions of the Companies Act, 2013 and the respective Schedule IV and the rules made thereunder.

Term / Tenure:

The Term / Tenure of the Directors shall be governed as per provisions of the Companies Act, 2013 and rules made thereunder as amended from time to time.

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 or any other reasonable ground, the Committee may recommend to the Board for removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

10. CRITERIA FOR EVALUATION OF INDEPENDENT DIRECTOR AND THE BOARD

Following are the Criteria for evaluation of performance of Independent Directors and the Board:

A. Executive Director:

The Executive Director shall be evaluated on the basis of targets / Criteria given to executive Directors by the board from time to time

B. Non-Executive Directors:

The Non-Executive Directors shall be evaluated on the basis of the following criteria i.e. whether they:

- (a) act objectively and constructively while exercising their duties;
- (b) exercise their responsibilities in a bona fide manner in the interest of the company;
- (c) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- (d) do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (e) refrain from any action that would lead to loss of his independence
- (f) inform the Board immediately when they lose their independence,
- (g) assist the company in implementing the best corporate governance practices.
- (h) strive to attend all meetings of the Board of Directors and the Committees;
- (i) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (j) strive to attend the general meetings of the company;
- (k) keep themselves well informed about the company and the external environment in which it operates;
- (l) do not unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (m) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
- (n) abide by Company's Memorandum and Articles of Association, company's policies and procedures including code of conduct, insider trading guidelines etc.

11. REMUNERATION

The Committee will recommend to the Board for approval, the remuneration to be paid to the Managing Director, KMP's and Senior Management Personnel.

The level and composition of remuneration so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and Senior Management of the quality required to run the company successfully. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration

should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

A. Managing Director

Besides the above Criteria, the remuneration/ compensation/ commission etc to be paid to Managing Director etc. shall be governed as per provisions of the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

B. Independent Directors

1. The Independent Director will be entitled to receive sitting fees and other reimbursements for attending meetings of Board or Committee thereof and any other fee subject to the provisions of the Companies Act 2013 and as per the Company's policy as amended from time to time. Provided that the amount of such fees shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made thereunder or Articles of Association of the Company or any other enactment for the time being in force. The Independent Directors pursuant to applicable law will not be entitled to any stock options.

C. Non-Executive Directors

The Non-Executive Directors will be entitled to receive any sitting fees or other reimbursements in accordance with the provisions of the Articles of Association of the Company as amended from time to time and any revision will be based on the recommendation of the Nomination and Remuneration Committee and as agreed by the Board.

D. KMPs / Senior Management Personnel etc.

The remuneration to be paid to KMPs/ Senior Management Personnel shall be based on the experience, qualification and expertise of the related personnel and governed by the limits, if any, prescribed under the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

E. Directors' and Officers' Insurance

Where any insurance is taken by the Company on behalf of its Directors, KMPs/ Senior Management Personnel etc. 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.

F. REMUNERATION REVIEW AND APPROVAL

- A formal annual performance evaluation process is applicable to all employees, including Key Managerial Personnel. Increase in the remuneration of employees is based on an annual review taking into account their respective individual responsibilities and performance and as well as the performance of the Company.
- Further, all the employees shall be eligible to participate in the Employees Stock Option Scheme which would individually be determined by the Nomination Committee based on their individual performance, capability and criticality of their function.

- The levels of remuneration of the employees should ensure that the Company is able to attract, retain and motivate directors, KMPs and Senior Management to run the Company successfully.
- Takes into account the financial performance and remuneration philosophy of the organization.
- Outlines with clarity the relationship between remuneration and performance, and mechanism to incentivize short-term and long-term performance objectives, specifically for KMPs and Senior Management.

12. COMMITTEE MEMBERS' INTERESTS

12.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

12.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

13. SECRETARY

13.1 The Company Secretary of the Company shall act as Secretary of the Committee.

14. VOTING

14.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

14.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

15. NOMINATION DUTIES

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

15.1 Ensuring that there is an appropriate induction & training programme in place for new Directors and members of Senior Management and reviewing its effectiveness;

15.2 Ensuring that on appointment to the Board, Independent Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013;

15.3 Identifying and recommending directors who are to be put forward for retirement by rotation.

15.4 Determining the appropriate size, diversity and composition of the Board;

15.5 Setting a formal and transparent procedure for selecting new directors for appointment to the Board;

15.6 Developing a succession plan for the Board and senior management and regularly reviewing the plan;

- 15.7 Evaluating the performance of the Board members and senior management in the context of the Company's performance from business and compliance perspective;
- 15.8 Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- 15.9 Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- 15.10 Recommend any necessary changes to the Board.
- 15.11 Considering any other matters as may be requested by the Board

16. MINUTES OF COMMITTEE MEETING

- 16.1 Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting and must be signed by the Chairman of the Committee at the subsequent meeting.

17. POLICY AMENDMENT AND REVIEW

This policy will be reviewed by the Nomination Committee or by the Board as and when required and placed before the Board of Directors of the Company for approval. The Policy will also be subject to amendments necessitated due to change in committee composition, changes in laws, rules, and regulations as and when required.