

**GUIDELINES ON REMUNERATION/ COMPENSATION OF KEY
MANAGERIAL PERSONNEL (KMP) AND SENIOR MANAGEMENT**



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TABLE OF CONTENTS

Sr. No.	Particulars	Page No
1.	Introduction	3
2.	Definitions	3
3.	Remuneration of Executive Director	4
4.	Remuneration of Non- Executive and Independent Director	4
5.	Compensation to KMP/SMT	4
6.	Compensation to other Employees	5
7.	Appointment and Removal of Director, KMP and Senior Management	5
8.	Resignation and Removal	6
9.	Monitoring and Evaluation	7
10.	Clarification/Amendment	7

1. Introduction

This Policy is prepared in accordance with Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulations) Directions, 2023 to address excessive risks arising due to misaligned compensation package of Directors, Key Managerial Personnel and other Employees, which was approved and adopted by the Board.

This policy is framed as per Reserve Bank of India Directions to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company.

This Policy reflects the remuneration philosophy and principles of the Company and considers the pay and employment conditions with peers / competitive market to ensure that pay structures are appropriately aligned.

2. Definitions

- **RBI:** Reserve Bank of India
- **KMP (Key Managerial Personnel):** Key Managerial Personnel as defined under Section 2(77) of The Companies Act, 2013:
 - Managing Director or Chief Executive Officer or Manager
 - Whole Time Director
 - Chief Financial Officer
 - Company Secretary
- **SMT (Senior Management Team):** All Executive Band and senior manager above level
Fixed Pay: All fixed items of compensation, this would include
 - Monthly fixed salary payable (Basic salary, HRA, Special allowance, etc.)
 - Perquisites and contributions towards retirement benefits (Employer contribution to Provident Fund, Superannuation, NPS, gratuity, etc.)
 - All perquisites that are reimbursable (Car, lease etc.)
 - Monetary equivalent of benefits of non-monetary nature (Company provided car, chauffeur, furnished house, Club membership, medical benefit etc.)
- **Variable Pay:** All items of compensation that are paid basis performance of an individual and/or the company.
 - Variable pay is part of the compensation that is paid basis performance measures defined for the performance measurement period.
 - It can be reduced to zero based on performance at an individual, business-unit and company-wide level
 - Components: Both cash and share linked instruments such as stock options of the company (ESOPs) are part of variable pay.
- **ESOP (Employee Stock Option Program)** Scheme under which employees of the company are granted stock options in a given financial year.
- **Clawback:** As per RBI circular on 'Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs'.

A clawback is a contractual agreement between the employee and the NBFC in which the employee agrees to return previously paid or vested remuneration to the NBFC under certain circumstances, 2023.

- **Malus:** As per RBI circular on 'Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs, 2023' and Banks.

A malus arrangement permits the organization to prevent vesting of all or part of the amount of a deferred remuneration.

3. Remuneration of Executive Director

The payment of managerial remuneration to Executive Directors, Key Managerial Personnel and Senior Management Team will be reviewed/recommended/approved by Board of Directors and/or shareholders as per applicable provisions of Companies Act, 2013 and RBI Regulations. Further remuneration of Other Employees shall be reviewed/recommended/approved by the management/ Executive Directors based on company's HR Policy.

Further following point's needs to be considered while making payment of remuneration to Directors, Key Managerial Personnel and Senior Management:

- The Remuneration and terms of employments shall be recommended in such a manner that the structure is clear and meets appropriate performance benchmarks.
- The Remuneration involve a good balance between fixed and variable pay reflecting short and long term performance objective appropriate to the working of the Company and its goals.
- The remuneration will be in correlation of company's HR Policy.
- No directors or Key Managerial Personnel should be directly involved in determining their own remuneration or their performance evaluation.
- The '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.
- That the 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).

4. Remuneration of Non -Executive and Independent Director

The Company may pay sitting fee/profit-based commission/committee meeting as per the terms and conditions mentioned in the document with Independent Director in line with the Companies Act, 2013. Apart from that Company shall pay remuneration to Non- Executive Director as per Companies Act, 2013.

5. Compensation to KMP/ SMP

The compensation for KMP / SMP shall comprise of monthly salary with superannuation benefits, performance bonus and stock incentives (ESOP). The salary paid shall have a fixed component or another variable component as may be, the latter varying commensurate with yearly performance of employee which may vary as per decision of management.

6. Compensation to other Employees

The remuneration of other employees is fixed from time to time as per the guiding principles outlined by the Company and considering industry standards and cost of living. In addition to basic salary, they are also provided perquisites and retirement benefits as per schemes of the Company and statutory requirements, where applicable. Policy of motivation/ reward/ severance payments is applicable to this category of personnel as in the case of those in the management cadre Compensation to other employees.

7. Appointment and Removal of Director, KMP and Senior Management

- General Appointment Criteria and qualifications

a. A person in order to be appointed as a Director, KMP/SMP should possess adequate qualification, expertise and experience. The board/Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, and KMP and recommend the person for such appointment to the Board. Personnel at Senior Management level, for their appointment, shall either be recommended by the Director or KMP of the Company.

b. A person shall not be appointed or continue the directorship as a non-executive director who has attained the age of seventy years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

c. The approval of shareholders for appointment or re-appointment of a person on the Board of Directors shall be taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

d. Every whole-time key managerial personnel appointed in terms of Section 203 of the Act shall be appointed by means of a resolution of the Board containing the terms and conditions of the appointment including the remuneration.

e. Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. They can assume directorship in NBFC-BL

f. A person may be appointed or employed as a managing director of the Company, if he is the managing director or manager of one, and of not more than one, other company and such appointment or employment is made or approved by a resolution passed at a meeting of the Board with the consent of all the directors present at the meeting and of which meeting, and of the resolution to be moved thereat, specific notice has been given to all the directors.

- Term / Tenure

- a. **Managing Director/Whole-time Director:** The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or 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:** A person shall be considered for appointment as an Independent Director on the Board of the Company, only if the person meets the criteria of independence stipulated in terms of Section 149 of the Companies Act, 2013

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, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director.

Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. Further, the Board of the NBFC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time.

There shall be no restriction to directorship on the Boards of NBFCs-BL, subject to provisions of Companies Act, 2013.

The company and independent directors both shall abide by the provisions specified in Schedule IV to the Act.

Resignation and Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable law for the time in force, recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel and the Board may subject to the provisions and compliance of the said Act, rules and regulations take necessary action for such removal. Upon resignation of a Director from the Board of the Company, the Board shall take note of the notice of resignation.

An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of three months from the date of such resignation or removal, as the case may be.

However, where the company fulfils the requirement of Independent Directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

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 in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to compliance of all applicable legislations.

8. Monitoring and Evaluation

An annual review of total remuneration expenditure impacting profitability with a comparative position with that of other employees for Board review and necessary guidance.

This policy shall be reviewed by the board as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt.

Any changes or modification to the policy as recommended by the board would be placed and such changes shall be updated in the prevailing policy.

9. Review

The policy shall be reviewed as and when considered necessary by the Board of Directors of the Company.

