


AMBIT FINVEST PRIVATE LIMITED (AFPL)	 AMBIT Finvest Pragati ke partner
Nomination and Remuneration Policy	



Document Control

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1. Background

Ambit Finvest Private Limited (hereafter referred to as ‘the **AFPL**’/ ‘**the Company**’) is a private limited company incorporated under the provisions of the Companies Act, 1956 and is a Reserve Bank of India (RBI) registered Systemically Important Non-Deposit Accepting or Holding Non-Banking Financial Company (“NBFC-NDSI”). The Company has become a “Systemically Important” Non- Deposit taking or Holding Non-Banking Financial Company effective from September 01, 2018.

The Company is a subsidiary of its parent company name “Ambit Private Limited”. It is engaged primarily into the business of Structure Finance and SME Financing activities.

This Policy is framed to ensure compliance with Section 178 and other applicable provisions of the Companies Act, 2013 and applicable guidelines of Reserve Bank of India (RBI), including on Corporate Governance for NBFCs and guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs, as amended from time to time.

2. Definitions

“**Board**” means the Board of Directors of the Company.

“**Directors**” means the Directors of the Company.


“**Committee**” means the Nomination and Remuneration Committee of the Company as constituted/reconstituted by the Board.

“**Company**” means Ambit Finvest Private Limited

“**Deferral**” shall mean payment of a part of compensation at a date later than when it becomes due to the employee.

“**Guidelines**” shall mean RBI Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs.

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“Independent Director” means a Director referred to in section 149(6) of the Companies Act, 2013.

“Key Management Personnel”/ “KMP” means:

- (i) Chief Executive Officer or the Managing Director or Executive Chairman
- (ii) Whole Time Director
- (iii) Chief Financial Officer
- (iv) Company Secretary
- (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board;
- (vi) Such officers as may be prescribed


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

“Senior Management” 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 the executive directors, including the functional heads as per ‘Explanation’ to section 178 of the Companies Act, 2013.

“Trigger event” includes, but not limited to:

- (i) in the event of subdued or negative financial performance of the company and/or the relevant line of business; and/or
- (ii) the fact that any information used to determine the quantum of an incentive amount was based on error, or inaccurate or misleading information; and/or
- (iii) action or conduct of the employee which, in the reasonable opinion of the Committee/ Board, amounts to serious employee misconduct or gross negligence; and/or
- (iv) serious reputational damage or material loss caused to the organization by employee’s actions.

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Explanation: Employee Misconduct shall mean any act detrimental to the interest of the organization including and not restricted to violation of company’s code of conduct.

“**Variable Pay**” means that portion of the compensation which is variable in nature and linked to performance of the company and/ or the employee.


“**Remuneration/ Compensation**” means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

3. Policy applicability and its Objectives

The primary objective of this Policy is to govern the appointment and removal of Directors, KMP and crucial position like Chief Risk Officer and to decide remuneration payable to the Directors, Key Managerial Personnel and other senior management employees. It also aims at to retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons.


4. Composition, Quorum and Terms of Reference of the Nomination and Remuneration Committee (NRC)

Composition and Criteria	(i) The Committee should be composed of three (03) or more non – executive directors, half of them being independent directors. (ii) 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.
Quorum for the Meeting	At least two members or one third of the members of the Committee, whichever is higher, provided that at least one independent director shall be present at the meeting.

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Frequency of the Meeting and Invitees to Meetings	<p>The Committee shall meet as and when required, but shall meet at least once in a year.</p> <p>The Committee may invite such executives, as it considers appropriate to be present at any meeting of the Committee.</p>
Terms of Reference	<p>(i) To ensure ‘fit and proper’ status of the proposed or existing Directors of the Company;</p> <p>(ii) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to, nomination and appointment of directors and KMPs, the remuneration of the directors, key managerial personnel and other employees;</p> <p>(3) formulation of criteria for evaluation of performance of independent directors and the Board of Directors;</p> <p>(4) 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.</p> <p>(5) 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.</p> <p>(6) recommend to the Board, all remuneration, in whatever form, payable to Directors, Key Management Personnel and senior management.</p> <p>(7) to formulate, implement and administer the employee stock option scheme and any aspects related to the scheme as delegated by the Board of Directors from time to time including as part of such schemes.</p>

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	(8) to carry out such other functions as may be prescribed to be appropriate by the Board of Directors of the Company in this regard.
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5. Principles and Objectives of the Policy concerning appointment and removal of Directors, KMP and crucial position like Chief Risk Officer

- The Nomination and Remuneration Committee shall ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP and crucial position like Chief Risk Officer (CRO) and recommend to the Board his / her appointment.
- A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person are sufficient/ satisfactory for the concerned position.
- To have Directors (minimum at least one, on the Board) with relevant experience having worked with in a Bank / NBFC, in view of the need for professional experience in managing the affairs of the Company.
- The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Within the permissible limits in terms of the Companies Act, 2013, an independent director shall not be on the Board of more than three (03) NBFCs [NBFC-ML (Middle Layer) or NBFC-UL (Upper Layer)] at the same time. Further, the NRC and in turn the Board of the Company shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time. A timeline of two years is provided with effect from October 01, 2022 to ensure compliance with these norms. There shall be no restriction to directorship on the Boards of NBFC-BLs (Base Layer), subject to applicable provisions of Companies Act, 2013.
- For KMP appointment, it shall be ensured, except for directorship in a subsidiary, KMP shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. A timeline of two (02) years is provided with effect from October 01, 2022 to ensure compliance with these norms. However, KMPs can assume directorship in NBFC-BLs.
- **Tenure:**
 - The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive / Wholetime Director for a term not exceeding five (05) years at a time. No re-appointment shall be made earlier than one year (01) before the expiry of term.

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- An Independent Director shall hold office for a term up to five (05) 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 (02) consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three (03) years of ceasing to become an Independent Director. 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.
- Evaluation: The Committee shall carry out the performance evaluation of every Directors and KMP at regular interval.
- Removal: Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under 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 and CRO subject to the provisions and compliance of the said Act, rules and regulations.


6. Principles and Objectives of the Policy concerning remuneration for Directors are as under:

- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.
- To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- To ensure that remuneration to directors involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
- Compensate Directors adequately for the efforts put in by them for the growth of the Company taking into consideration their significant professional expertise and rich experience across a wide spectrum of functional areas and time commitment.

7. Principles and Objectives of the Policy concerning remuneration for the senior management are as under:

(a) Attract and retain Talent:

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- Pay elements and structure to be market competitive to attract best talent to execute organization’s strategy
- Reward meritocracy, with differentiation based on both financial and non- financial performance
- Enable discretionary incentives for key roles – including equity awards / ESOPs

(b) Aligning Risk and Remuneration:


- Compensate employees based on contribution and risk adjusted performance demonstrated over time and balanced with appropriate recognition for short term results and contributions
- Reward programs to be designed to – incentivize sales in line with preferred customer profiles and rigorous screening norms , specifically discourage mis-selling and process shortcuts
- Rewards not just based on quantitative (financial) parameters alone; but also on how performance is achieved, including process adopted, prudent judgment and controls exercised
- Reward good behaviour and organizational stewardship, that conserves franchise reputation
- Evaluate incentive programs on an iterative basis, recognizing that market dynamics, process maturity may result in future changes
- Educate employees that poor risk management practices and deviation from organization’s risk management philosophy may lead to an adverse impact on incentives including loss/reduction or elimination of previously awarded incentive compensation

(c) Emphasize alignment with Values at overall group level.

(d) Evaluate and Reward Performance over Time:

- Program designed to ensure balance between short term versus long term financial performance and health of the organization

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- (e) Drive long term commitment and ownership for decisions through long term equity investment plans and/or equity awards, stock options, purchase schemes of the Company and or other Ambit group entities Balance between fixed and variable component.

8. Remuneration to Whole-time / Executive Directors

- (a) The remuneration payable to the Whole-time Director / Executive Directors shall be governed as per the applicable provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.
- (b) The remuneration paid to Whole-time / Executive Directors includes fixed salary, perquisites, variable pay in the form of performance bonus, certain retirement benefits, allowances and other benefits, shall be paid in accordance with the Ambit’s Group Policy.
- (c) Annual increments to Whole-time / Executive Directors, if any, shall be linked to their overall performance, from time to time and subject to any regulatory approval, if applicable, to the company and/or its’ business.
- (d) Commission
- No commission shall be paid to the Whole-time / Executive Directors of the Company.
- (e) Stock Options
- The Whole-time / Executive Directors could also be granted stock options, if eligible, as per the scheme of the Company, from time to time, as approved by the NRC.
- (f) D&O Policy
- The Whole-time / Executive Directors shall be covered under the Directors and Officers Liability Insurance (“D&O”) Policy.

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9. Remuneration to Non-executive / Independent Directors

(a) Sitting Fees and Other Expenses

- Non-executive / Independent Directors will be paid sitting fees, travelling expenses including airfare, hotel stay and car on rental basis for attending the meetings and such other expenses as are incurred by the directors and allowed to be reimbursed as per the provisions of the Companies Act, 2013, RBI Circulars/ Guidelines/ Notifications/ Directions issued from time to time and any other regulatory provisions applicable to the company and/or its' business. Sitting Fees for attending various committees of the Board shall be as decided by the Board from time to time.

(b) Commission:

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, subject to the shareholders' approval in accordance with the applicable provisions of the Companies Act, 2013.


(c) Stock Options

- The Non-Executive Directors (excluding Independent Directors) shall be eligible for stock options of the Company and/or other Ambit group entities as may be decided by the Nomination and Remuneration Committee ("NRC") of the Company from time to time.
- The Independent Directors shall not be eligible for stock options.

(d) D&O Policy

- The Non-executive / Independent Directors shall be covered under the Directors and Officers Liability Insurance ("D&O") Policy.

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10. Compensation Guidelines for KMPs and Senior Management

Compensation Structure

The compensation structure shall broadly comprise of the following components:

- a. Fixed Pay
- b. Variable Pay

a. Composition of Fixed Pay:

- (i) All the fixed items of compensation, including the perquisites and contributions towards superannuation/ retiral benefits, may be treated as part of fixed pay;
- (ii) All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements;
- (iii) Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) may also be part of fixed pay.

b. Principles of Variable Pay

(i) Composition of Variable Pay:


The variable pay for Senior Management may be in the form of:

- (i) share-linked instruments; or
- (ii) a mix of cash and share-linked instruments;
- (iii) It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.

(ii) Proportion of Variable Pay:

- (iii) The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of KMPs and senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay should be truly and effectively variable and can be reduced to zero based on

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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. **Control, Compliance and assurance function personnel:**

KMPs and senior management engaged in financial control, risk management, compliance and internal audit shall 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 shall 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.

(iv) Deferral of variable pay:

For KMPs and Senior Management, not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as recommended by the Committee and approved 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. In the event of separation of an employee on amicable terms with the Company, the Committee shall have the discretion to waive part or whole of the deferred pay.


(v) Guaranteed bonus:

Guaranteed bonus may not be paid to the 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.

(vi) It is to be ensured 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).

(vii) The Company shall formulate an internal operating framework to determine the compensation/ remuneration structure for KMP and senior management in line with this policy.

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11. Malus and Clawback

Malus: A malus arrangement shall permit the committee to prevent vesting of all or part of the amount of unvested variable pay. Malus arrangement does not reverse vesting after it has already occurred.

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

In the event the Committee/ Board becomes aware of a ‘Trigger Event’, it shall evaluate and decide if malus and/ or clawback needs to be applied on none, part or entire variable pay along with the time period, covering at least the deferral period and retention period. The Committee / Board also reserves the right to include any additional conditions which may trigger Malus/ Clawback provisions over and above those defined herein.

12. Responsibility of Employees

Employees must conduct themselves to ensure that no breach of Code of Conduct and applicable Codes is committed. Any such breach could have a direct bearing on their performance appraisal, long term incentives and rewards and could also attract appropriate disciplinary action.

13. Disclosure

The Company shall make disclosures as required under the RBI regulations and the Companies Act, as amended from time to time and under other applicable laws.

14. Review

This Policy may be amended, modified or supplemented, from time to time, with the approval of the NRC, to ensure compliance with any amendment, modification or supplementation to the Companies Act, 2013 and rules made there under, RBI regulations/guidelines or any other law and any other regulatory provisions applicable to the Company and/or its’ business relating to employee/directors’ compensation or internal requirements/policies, issued from time to time. Any such amendment if need to be made before the NRC meeting, then same shall be made with the approval from the Executive Chairman of the Company, which shall be ratified at the next NRC meeting.

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