



NOMINATION REMUNERATION & COMPENSATION POLICY

OF

MPOKKET FINANCIAL SERVICES PRIVATE LIMITED

Summary of Policy

Version	Issue and Effective Date	Review periodicity	Approving Authority	Policy Owner
V1	16-09-2023	Annual	Board of Directors	Compliance Department
V2	15-12-2023	Annual	Board of Directors	Compliance Department
V3	28-06-2024	Annual	Board of Directors	Compliance Department
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Review Date	Next Review Date	Comments/ Remarks/ Changes
15-12-2023	-	Modified pursuant to introduction of RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
28-06-2024	Jun'25	Annual Review
26-06-2025	Jun'26	The Nomination Remuneration Policy has been merged with the Compensation Policy and single Policy named as Nomination Remuneration & Compensation Policy is framed

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1. PREAMBLE

The Nomination Remuneration and Compensation (“Policy”) of Company has been framed pursuant to the provisions of the Companies Act, 2013, and RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended from time to time (“RBI Directions”). The Policy has been approved by the Board of Directors of mPokket Financial Services Private Limited (“MFSPL” or “Company”) and sets out the guiding framework for the appointment, evaluation, and compensation of Directors, KMP, Senior Management and other employees.

2. OBJECTIVE

The objective of this policy is to lay down a framework in relation to remuneration of Directors, KMP, Senior Management Personnel and other employees of the Company.

The Key Objectives of the Committee would be:

1. To oversee by laying down criteria, terms and conditions and appropriate compensation in relation to appointment and removal of Directors, KMP and Senior Management
2. To oversee the nomination process and lay down criteria and terms and conditions with regard to identification of persons who are qualified to become directors (executive, non- executive and Independent) and lay down criteria for persons who may be appointed in senior management and key managerial positions, with appropriate compensation.
3. To ensure that remuneration paid is competitive, enabling the Company to attract and retain employees capable of meeting the Company’s needs and service delivery obligations and to recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
4. To ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
5. The remuneration to the Directors, Key Managerial Personnel and Senior Management 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;
6. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

3. DEFINITION

- a. **“Act”** means the Companies Act, 2013 and Rules framed there under, as amended from time to time.
- b. **“Applicable Laws”** means the RBI Directions, the Companies Act, 2013 and the rules/regulations issued thereunder, as amended from time to time
- c. **“Board”** means Board of Directors of the Company.
- d. **“Committee”** means Nomination and Remuneration Committee of the Company duly constituted or reconstituted by the Board.
- e. **“Company”** means mPokket Financial Services Private Limited.
- f. **“Clawback”** means a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration/compensation to the Company under certain circumstances.
- g. **‘Key Managerial Personnel’ (KMP)** means:
 - a) Chief Executive Officer or the Managing Director or the Manager;
 - b) Company Secretary;
 - c) Whole-time Director;
 - d) Chief Financial Officer; and
 - e) Such other officer, not more than one level below the Directors rank, who is in whole time employment, designated as KMP by the Board and such other officer as may be prescribed from time to time.
- h. **“Malus arrangement”** means an arrangement which permits the Company to prevent vesting of all or part of the amount of a deferred remuneration/compensation. Malus arrangement does not reverse vesting after it has already occurred.
- i. **“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 engaged in Financial Control, risk management, compliance and internal audit are following under the preview of the regulations.

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. CONSTITUTION OF COMMITTEE

The Board of Directors of the Company has constituted the committee known as “**Nomination and Remuneration Committee**” (NRC) in accordance to the composition as defined in the term of reference.

A. ROLES AND RESPONSIBILITIES OF NRC COMMITTEE

The NRC shall have the following responsibilities under this Policy:

1. Identify and ascertain the integrity, qualification, expertise and experience of the persons who are qualified to become Directors, KMP or Senior Management level and recommend to the Board their appointment and/or removal;
2. Recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills, and judgment of the Directors;
3. Carry out evaluation of every Director’s performance;
4. Formulate the criteria for determining qualifications, positive attributes and independence of a director;
5. Formation of succession plan framework;
6. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior management of the quality required to run the company successfully;
7. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
8. Remuneration to directors, key managerial personnel and senior management 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;

9. Formulating and determining the company's policies on remuneration packages payable to the Directors and key managerial personnel including performance/achievement bonus, perquisites, retiral, sitting fees;
10. To consider giving stock options to the employees in the form of equity shares as a part of variable pay;
11. Formulation of criteria for performance evaluation of Independent Directors and the Board;
12. Determining 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;
13. Validation of 'fit and proper' status of all Directors on the Board of the company/CCO in terms of the Guidelines issued by the RBI or other regulatory authorities;
14. Developing and recommending to the Board the Corporate Governance guidelines applicable to the company for incorporating best practices from time to time;
15. To carry out such other business as may be delegated by the Board from time to time or required by applicable law or considered appropriate in view of the general terms of reference and the purpose of the NRC;
16. Oversee the framing, review and implementation of Remuneration policy;
17. To ensure that the general character of the management shall not be prejudicial to the interest of its present and future stakeholders and envisages ensuring the 'fit and proper' status of proposed or existing Directors;
18. Performing such other activities as may be delegated by the Board and/or prescribed under the Companies Act, the RBI Directions, and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications issued by the Government of India, Reserve Bank of India any other regulatory authority;
19. To 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);

The NRC shall work in close coordination with the Risk Management Committee (RMC) of the Company to achieve effective alignment prudent between compensation and risks.

5. CRITERIA FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT:

A. Appointment Criteria and Qualification

The Committee shall consider the following factors for identifying the person who are qualified and eligible to becoming Director and who may be appointed in senior management of the Company:

- i. A person proposed to be appointed as a Director, KMP or in Senior Management should possess adequate qualification, expertise and experience, as may be required, for the position he / she is being considered for appointment.
- ii. The NRC shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as a Director, KMP or in Senior Management and recommend to the Board his / her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient/ satisfactory for the concerned position.
- iii. The skills and experience that the appointee brings to the role of Senior Management and how the appointee will enhance the skill sets and experience of the Board as a whole and in totality.
- iv. The nature of existing positions held by the appointee including directorships or other relationships and the impact they may have over the appointee's ability to exercise independent judgment.
- v. The Company shall not appoint or continue the employment of any person as Managing Director, who is below the age of twenty-one years or has attained the age of seventy years, provided that the term of the person holding such position may be extended beyond the age of seventy years by adhering to procedure and requirements specified under the applicable provisions of law.
- vi. The NRC shall ensure adherence to the requirements of the relevant circular/ notification issued by the RBI with respect to the "Fit & Proper Criteria", as amended from time to time, in relation to Directors of the Company at the time of appointment and on a continuing basis.
- vii. At least one of the directors shall have relevant experience of having worked in a bank/ Non-Banking Financial Company.

- viii. The Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate(s).

B. Independent Director

- i. Qualifications of Independent Director: A person proposed to be appointed as an Independent director shall be qualified to be appointed as such in accordance with the applicable provisions of law and possess appropriate skills, experience and knowledge in one or more fields of Finance, Law, Management, Sales, Marketing, Administration, Research, Corporate Governance, Operations or other disciplines related to the business of the Company.
- ii. Positive attributes of Independent Directors: An independent director shall be a person of integrity, who possesses relevant expertise and experience and who shall uphold ethical standards of integrity and probity; act objectively and constructively; exercise his responsibilities in a bona-fide manner in the interest of the company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the Company in implementing the best corporate governance practices.

Further, the terms and conditions of appointment of Independent Directors will be as prescribed from time to time under the Act and Schedule IV of the Act.

C. Tenure of Appointment

- i. The Company may appoint or re-appoint any person as its Managing Director/ WTD for a term not exceeding five (5) years at a time.
- ii. An Independent Director shall hold office for such term as the Board may decide subject to maximum term up to five (5) consecutive years on the Board of the Company and will be eligible for re-appointment as per the criteria laid down by the regulations as amended from time to time, subject to a maximum of two consecutive terms.
- iii. Further, the Independent Director shall not be on the Board of more than three NBFCs (NBFCML or NBFC-UL) at the same time.

D. Removal

- i. Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations, or breach of the prevailing HR policies of the Company, the NRC may

recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to compliance with the applicable regulations.

E. Retirement

- i. The Director, KMP and Senior Management 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 in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to compliance with the applicable provisions of law, if any, from time to time and as per prevailing HR Policies of the Company.

F. Remuneration

- i. The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, Key Management Personnel and other Senior Managements.
- ii. At the appointment or re-appointment of Directors and KMPs, the Committee will recommend to the Board for their approval, the remuneration to be paid to them.
- iii. The remuneration to be paid to the Senior Management Personnel shall be reviewed by the NRC and for other employees it shall be as per HR policy of the Company.
- iv. The remuneration shall be based & determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed statutorily, if any.
- v. The Nominations & Remuneration Committee determines individual remuneration packages for Directors, KMPs and Senior Managements of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws along with regulations and government/other guidelines.
- vi. 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.

G. Executive Directors (Managing Director, Manager or Whole-time Director)

- i. At the time of appointment or re-appointment, the Executive Directors shall be paid such remuneration as may be mutually agreed between the Company and the appointee within the overall limits prescribed under the Companies Act, 2013 and in line with this Policy and the RBI Direction.

Increments to the existing remuneration of the Directors will be placed before the Committee for its approval / ratification, as the case may be. The remuneration proposed will be consistent with the provisions of the Act, strategy of the company and in line with the comparable market and internal remuneration benchmarks.

- ii. The remuneration of the CEO & Managing Director is broadly divided into fixed pay, variable pay and incentive pay.
- iii. In determining the remuneration (including the fixed increment and performance bonus), NRC shall consider the following:
 - The relationship of remuneration and performance benchmark;
 - Balance between fixed and incentive pay reflecting short- and long-term performance objectives, appropriate to the working of the Company and its goals;
 - Responsibility required to be shouldered, the industry benchmarks and the current trends; and
 - The performance of the Company vis-à-vis the annual budget achievement and individual performance.

H. Non-Executive Director

- i. The Non-Executive/ Independent Director may receive fees for attending meetings of the Board or Committee thereof, shall be as may be decided by Board from time to time and payment of commission, up to such amounts, as decided by the Board of the Directors of the Company, from time to time.

I. KMP & Senior Managerial Personnel

- i. The remuneration / compensation / commission etc. to the KMP shall be approved by the NRC and for Senior Management will be reviewed by NRC.
- ii. While reviewing the remuneration of the Key Managerial Personnel and Senior Management of the Company, NRC will consider maintaining a balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the working of the Company.
- iii. NRC shall consider and determine that the compensation of remuneration is reasonable and sufficient to attract, retain and motivate KMP and senior management.
- iv. The NRC should ensure that variable pay is truly variable and that performance measures and their relationship to compensation packages are clearly defined and communicated at the beginning of the performance measurement period.
- v. The NRC may include provisions in the compensation policy to defer payment of variable pay subject to the deferment period being approved by the Board.
- vi. In the case of personnel engaged in financial control, risk management, internal audit and compliance, the NRC should ensure that the compensation policy is devised such that it is independent of the business areas that they oversee. In such cases, the NRC may provide for a higher ratio of fixed pay compared to the variable pay component.
- vii. In no case shall any guaranteed bonus be paid to KMP or Senior Management Personnel except in the context of new hiring or sign-off bonus.
- viii. The NRC may include provisions with regard to malus and clawback as recommended in the RBI Compensation Guidelines in the compensation package subject to any applicable laws in force.

6. GRANT OF ESOPs

The Executive Directors, Non-Executive Directors, KMPs, Senior Management, other employees of the Company, subsidiary (ies) & holding company shall be eligible for ESOPs of the Company, subject to the applicable provisions of law. The Independent Directors of the Company shall not be eligible for the ESOPs of the Company.

7. EVALUATION

The NRC shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals (yearly). The manner of conducting such performance evaluation may be decided by the NRC.

8. SUCCESSION PLANNING:

The NRC will be responsible for overseeing the succession planning for the Board, KMP and Senior Management Personnel.

9. PRINCIPLES FOR COMPENSATION:

A. Components and Risk Alignment:

- (i) Compensation packages for Key Managerial Personnel (KMPs) and senior management shall be reasonable, considering statutory requirements and industry practices.
- (ii) Fixed and variable pay components shall be aligned effectively with prudent risk-taking behavior, ensuring symmetry between compensation outcomes and risk outcomes.
- (iii) The mix of cash, equity, and other forms of compensation shall be consistent with risk alignment and sensitive to the time horizon of risks.

B. Composition of Fixed Pay:

- (i) Fixed pay shall encompass base salary, perquisites, and contributions towards superannuation/retiral benefits, with monetary ceilings on reimbursable perquisites.
- (ii) Non-monetary benefits, such as housing and car allowances, may be included in fixed pay, subject to quantification.

C. Principles for Variable Pay:

- (i) Variable pay may comprise share-linked instruments or a mix of cash and shares, conforming to relevant statutory provisions.
- (ii) The proportion of variable pay in total compensation shall be commensurate with the role and risk-taking profile of KMPs/senior management, with higher levels of responsibility warranting a higher proportion.
- (iii) Variable pay shall be truly variable, subject to adjustment based on individual, business-unit, and company-wide performance. Performance measures shall be clearly defined to ensure employees perceive the incentive mechanism.

- (iv) A portion of variable pay may be deferred, as decided by the NRC, aligning with the time horizon of risks.

10. Compensation for KMPs and Senior Management in Control and Assurance functions:

KMPs and Senior Management engaged in financial control, risk management, compliance and internal audit will be compensated in a manner that is independent of the business areas they oversee and commensurate with their role in the Company.

11. Guaranteed Bonus:

Guaranteed bonuses shall not be provided to KMPs and senior management, except in the context of new hiring as joining/sign-on bonuses. Such bonuses shall not be considered part of fixed or variable pay.

12. Malus and Clawback:

Malus arrangement permits the Company to prevent vesting of all or part of the variable pay which has been deferred. It does not reverse vesting after it has already occurred.

The NRC may decide to apply malus on part, or all of the unvested deferred retention pay and ESOPs.

13. Provisions for Malus and Clawback:

A. The provisions for Malus and Clawback are given hereunder.

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

B. Circumstances under which application of Malus and Clawback is to be considered:

- i. Employee integrity issues linked to a serious pecuniary fraud.
- ii. Employee integrity issues linked to serious breach of the Code of Conduct.
- iii. Convicted of any criminal complaint in relation to a fraud in the Company.
- iv. 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.

- v. For certain employees, as pre-determined by the NRC, Malus may also be applied in the situation of significant deterioration of financial or risk performance from one financial year to the next.
- vi. 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.

Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

C. Application of Malus & Clawback provisions

- i. 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.
- ii. The review by the NRC will aim to determine involvement, accountability, severity and wilful nature of the act of the concerned person/s.
- iii. Bonafide errors of judgment will not be subject to Malus provisions.
- iv. The provision of a Malus arrangement would entail cancellation of deferred portion of variable pay. The NRC may decide to apply Malus on part, or all the unpaid cash portion of variable pay or unvested ESOPs basis level of involvement, proportionality and impact.
- v. 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.
- vi. The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact.
- vii. Malus/ clawback clause can be applied for a period of 2 years after the date of grant of Total Variable Pay.

14. Review of Policy

The policy shall be reviewed annually or due to any regulatory change/change in current practice by the Board on the recommendation of the NRC.