

# **PURPLE FINANCE LIMITED**

## **NOMINATION AND REMUNERATION POLICY**

### **Disclaimer**

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**PREAMBLE:**

Section 178 (2) & (3) of the Companies Act, 2013 requires the Nomination and Remuneration Committee of the Board of Directors to identify 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 their appointment and removal. The Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

The Company understands the importance of attracting, inducting and retaining high quality individuals at all levels to achieve operational excellence and create value for shareholders. A transparent, fair and reasonable process of determining remuneration plays a big role in having a productive and motivated workforce. Pursuant to Section 178 of the Companies Act, 2013, the Board of Directors of Purple Finance Limited shall constitute the Nomination and Remuneration Committee consisting of three Non-Executive Directors of which shall have two Independent Directors, which, as per its scope and charter shall assist the Board in discharging its responsibilities relating to compensation of the Company's Directors and other senior level employees.

**OBJECTIVE:**

- 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;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- 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.

**DEFINITIONS:**

**“Act”** mean Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

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

**“Company”** means Purple Finance Limited.

**“Committee” or “NRC”** means the Nomination & Remuneration Committee of the Company.

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

**“Independent Director”** means an Independent Director of the Company appointed pursuant to the provisions of Section 149(6) of the Companies Act, 2013.

**“Key Managerial Personnel” or “KMP”** means and include:

- a. The Chief Executive Officer (CEO), Managing Director or the Manager;
- b. The Whole-time Director;
- c. The Chief Financial Officer; and
- d. Company Secretary.

**“Nomination and Remuneration Committee”** means a Committee of Board of Directors of the Company, as constituted or reconstituted by the Board from time to time, in accordance with the provisions of Section 178 of the Companies Act, 2013.

**“Remuneration”** 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.

**“Senior Management”** means personnel of the Company who are the members of the core management team excluding Directors of the Company and comprising of all members of the management working as Department Heads (Level 3) and above.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, as amended from time to time or any other applicable law or regulation.

#### **CONSTITUTION OF THE COMMITTEE:**

- The Committee shall consist of a minimum Three Non-Executive Directors, Two Directors shall be independent directors.
- Minimum two (2) members shall constitute a quorum for the Committee meeting.
- The Chairperson of the Committee shall be an Independent Director.
- The Chairperson of the Board may be appointed as a member of the Committee but shall not be a Chairperson of the Committee.
- In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- The Chairperson of the Committee or in his/ her absence, any other member of the Committee authorised by him/ her shall attend the General Meetings of the Company.
- The Membership of the Committee shall be disclosed in the Annual Report.
- The term of the Committee shall be continued unless reconstituted/terminated by the Board of Directors.

- The Board has the power to constitute/ reconstitute the Committee from time to time in order to make it consistent with the Bank's policy and applicable statutory requirement.

**ROLE OF THE COMMITTEE:**

- To formulate criteria for determining qualifications, positive attributes and independence of a Director.
- To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this Policy.
- To carry out evaluation of Director's performance.
- To recommend to the Board the appointment and removal of Directors and Senior Management.
- To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and other employees.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

**CRITERIA/TERM/TENURE:**

**a) Criteria for appointment of Director, KMP and Senior Management Personnel:**

The Committee shall take into consideration the following factors for proposal for appointment of a person as a Director and recommend to the Board his/ her appointment accordingly:

- whether he/ she possesses adequate qualifications, expertise and experience. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient/ satisfactory for nominating him/ her as a Director.
- whether, he/ she possesses high personal and professional ethics, integrity, values and moral reputation and is eligible to hold office under the provisions of the Companies Act, 2013 and Rules made thereunder and the applicable policies of the Company.

**b) Managing Director/ Whole-time Director:**

The Company shall appoint or re-appoint any person as its Executive Chairman, Vice Chairman, Managing Director or Executive/ Whole-time Director or Manager for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of their term.

**c) Independent Director:**

In addition to the criteria mentioned above, a person proposed to be appointed as an Independent Director shall meet all criteria specified in Section 149(6) of the Companies Act, 2013 and rules made thereunder. 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. Any person who has been a Director/ employee of the Company may be appointed as an Independent Director only if they fulfil the criteria under Companies Act, 2013.

No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, but such an Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. The 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 evaluation of performance of Director, KMP and Senior Management Personnel on an annual basis or at such regular intervals as may be considered necessary.

**REMOVAL:**

The Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel, subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

**RETIREMENT:**

The Executive Directors, 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 Executive Directors, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

**POLICY FOR REMUNERATION TO THE DIRECTORS/ KEY MANAGERIAL PERSONNEL/ SENIOR MANAGEMENT AND OTHER EMPLOYEES:**

**1) Remuneration to Managing Director / Whole-time Director/ Executive Director:**

- a) The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Director, etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the Members of the Company, wherever applicable.
- b) The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director/ Whole-time Directors. The level and composition of remuneration so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate the Directors. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration should ideally involve a balance between fixed and incentive pay reflecting short and long-term performance objectives aligned to the Company's vision.

**2) Remuneration to Non-Executive /Independent Directors:**

- a) Non-Executive / Independent Directors may receive sitting fees and such other remuneration (reimbursement of expenses for participation in the Board and other meetings and profit related commission) as permissible under and subject to ceiling/ limits as per the provisions of Companies Act, 2013 and the rules made thereunder or any other enactment for the time being in force. The amount of sitting fees for attending meetings of the Board or Committees thereof shall be such amount as may be recommended by the Nomination and Remuneration Committee, Non-Executive / Independent Directors may receive sitting fees and such other remuneration (reimbursement of expenses for participation in the Board and other meetings and profit related commission) as permissible under and subject to ceiling/ limits as per the provisions of Companies Act, 2013 and the rules made thereunder or any other enactment for the time being in force. The amount of sitting fees for attending meetings of the Board or Committees thereof shall be such amount as may be recommended by the Nomination and Remuneration Committee, Independent Director's policy and as approved by the Board of Directors/ shareholders, as the case may be.
- b) An Independent Director shall not be entitled to any stock option.
- c) The remuneration payable to the Directors of a Company, including any managing or whole-time director or manager, as per the provisions of the Companies Act, 2013

shall be inclusive of the remuneration payable to him for the services rendered by him in any other capacity. The remuneration for services rendered by any such Director in other capacity shall not be so included if:

- i. the services rendered are of a professional nature; and
- ii. in the opinion of the Nomination and Remuneration Committee, the Director possesses the requisite qualifications for the practice of the profession.

### **3) Remuneration to Key Managerial Personnel and Senior Management and other Employees:**

The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's policy and salary slab as may be approved by the Board on the recommendation of the Committee. Also correcting out-of-line rates.

- a) The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from time to time.
- b) The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

### **POLICY ON AWARENESS TRAINING TO THE INDEPENDENT DIRECTORS:**

The Independent Directors at the time of their co-option shall be provided with a personal orientation by the Senior Management. They shall also be provided with the material/literature regarding the Company's business and its operations, governing documents, information on key personnel and financial information to familiarize them with the Company. The performance evaluation of Independent Directors shall be done by the Board, excluding the Director being evaluated. Their appointment letter shall provide their roles and responsibilities in the Company. The Company shall from time to time organise familiarisation programmes for Independent Directors. The Chairperson depending on the business needs may also nominate Independent Directors for relevant external training programs.

### **IMPLEMENTATION, REVIEW AND PUBLICATION:**

- The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate.

- This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013 and rules made there under, the Memorandum and Articles of Association of the Company or as may be otherwise prescribed by the Board from time to time.
- The Policy shall be disclosed in the Board's Report.
- The Policy shall be reviewed every year by the NRC of the Company or whenever there is a significant change in the Policy.