

SATYA MICROCAPITAL LIMITED

Nomination & Remuneration Policy

Version 1.1

November 2023

1 PURPOSE

In pursuance of the Company's policy to consider human resources as its invaluable assets (i.e. human capital), to pay equitable remuneration to all Directors, Key Managerial Personnel, Senior Management Personnel and other employees of the Company, to harmonise the aspirations of human resources consistent with the goals of the Company and in terms of Section 178 of the Companies Act, 2013 and pursuant to the "Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs" and "Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs" issued by Reserve Bank of India dated October 22, 2021 and April 29, 2022 respectively (Referred as 'RBI Guidelines'), this policy on Nomination and Remuneration of Directors, Key Managerial Personnel and Senior Management Personnel has been reviewed by the Nomination Committee and approved by the Board of Directors at its meeting held on November 06, 2020 and further amended on August 09, 2022. This policy shall act as a guidance for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration and appointment of the Directors, Key Managerial Personnel and Senior Managerial Personnel.

2 DEFINITIONS

- i. **"Act"** means the Companies Act, 2013, and rules framed thereunder including any modification or re-enactment thereof.
- ii. **"Board"** means the Board of Directors of the Company.
- iii. **"Clawback"** means a contractual agreement between employees and the NBFC in which employees agree to return previously paid or vested remuneration to the NBFC under certain circumstances.
- iv. **"Nomination and Remuneration Committee "** means a Committee of the Board, constituted in accordance with the provisions of Section 178 of the Act and the Listing Regulations.
- v. **"Employee Stock Options"** means the options given to the directors, officers or employees of the Company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a predetermined price.
- vi. **Fixed Pay** shall have a meaning prescribed in Annexure I of the Policy.
- vii. **"Independent Director"** means the Independent Director of the Company appointed in pursuance to the provisions of Act and SEBI (LODR).
- viii. **"Key Managerial Personnel"** or **"KMP"** shall have a meaning defined under the provision of 2(51) of the Act and appointed in pursuance to the provisions of Section 203 of the Act.
- ix. **"SEBI (LODR)"** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

- x. **“Malus”** means arrangement permits the NBFC to prevent vesting of all or part of the amount of a deferred remuneration. It does not reverse vesting after it has already occurred.
- xi. **“Remuneration/Compensation”** means any money or its equivalent given or passed on to any person for services rendered by him/ her and includes perquisites and other benefits.
- xii. **“Senior Management Personnel or “SMP”** means the members of core management team of the Company excluding Board of Directors and shall comprise of all the members of management one level below the executive directors, including all functional heads, as mentioned in Section 178 of the Act.
- xiii. **“Variable Pay”** means component of remuneration in the form of share linked instruments or a mix of cash and employee stock options.

1. APPLICABILITY

The policy shall be applicable to the following:

- Managing Director & Chief Executive Director (MD & CEO)/Whole Time Director(WTD)/Chief Executive Officer(CEO);
- Directors;
- Key Managerial Personnel (Other than MD/CEO/WTD);
- Senior Management Personnel

2. CONSTITUTION OF THE “NOMINATION & REMUNERATION COMMITTEE:

The Board has the power to constitute / reconstitute the Committee from time to time in order to make it consistent with Company’s policies and applicable statutory requirements. The composition of the Committee shall be in line with the requirements of the Act, RBI Guidelines and SEBI (LODR) and also in terms of other applicable regulatory laws. The Company Secretary of the Company shall act as the Secretary of the Committee. Membership of the Committee shall be disclosed in the Annual Report, if applicable. The terms of the Committee shall be continue unless terminated by the Board of Directors.

3 OBJECTIVES AND FUNCTIONS OF THE COMMITTEE:

The Nomination & Remuneration shall ensure to achieve the following listed objectives:

- a) To guide the Board in relation to the appointment and changes in Directors, Key Managerial Personnel and Senior Management and to formulate criteria on Remuneration;
- b) To ensure and determine that the Board comprises of balance combination of Executive Directors and Non-Executive Directors and also the Independent Directors and size of the Board and its diversity;

- c) To formulate criteria for determining qualifications, positive attributes and independence of directors;
- d) To oversee the framing, review and implementation of compensation policy of the company which should have the approval of the board;
- e) To work in close coordination with Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risks;
- f) 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);
- g) To ensure '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;
- h) To specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
- i) To 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;
- j) To recommend to the Board on remuneration payable to the Directors and Key Managerial Personnel.
- k) To decide 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.
- l) To consider any other matters as may be prescribed under the Act or as may be requested by the Board from time to time.

4 FREQUENCY OF MEETINGS:

The meeting of the Committee shall be held at regular intervals as may be deemed fit and appropriate with at least one meeting in a year. The quorum for the Committee Meeting shall be either two members or one-third of the members of the Committee, whichever is greater, including at least one Independent Director in attendance. The Chairman of the Committee or in his absence any other member of the Committee authorized by him on his behalf shall attend the Annual General Meeting of the Company.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee. The Nomination & Remuneration Committee shall establish a mechanism to carry out its functions, any/all of its powers to any of the Executive/ Whole-time Directors, KMP and SMP of the Company, as deemed necessary for proper and expeditious execution.

5 COMMITTEE MEMBERS INTEREST:

A member of the Committee is not entitled to participate in the discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated.

6 APPOINTMENT OF DIRECTOR, MANAGING DIRECTOR & CHIEF EXECUTIVE DIRECTOR , WHOLE TIME DIRECTOR

6.1 Appointment Criterion and Qualifications:

1. The person should possess adequate qualification, positive attributes, expertise and experience commensurate with the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / adequate for the concerned position.
2. The persons proposed to be appointed as Director, Managing Director & Chief Executive Officer or Whole Time Director shall fulfil the following criterion:
 - a) He/ she should be person of integrity with high level of ethical standards.
 - b) The person should have requisite qualification and experience in any of the areas like technical, finance, law, public administration, management, accounting, marketing, production, human resource, etc., as may be required in the context of the business and operations of the Company.
 - c) The person should not have been disqualified to be a director as per the provisions of the Act, Rules and any other law and regulation for the time being in force. In case of appointment as Independent Director, the person should fulfil the criterion of independence prescribed under the Act.
3. In addition to the above, the Independent Director shall meet the criteria of Independence as per the provision Section 149 of the Companies Act, 2013 read with Schedule V and SEBI (LODR) Regulations, 2015.

6.2 Tenure

- a) Managing Director & Chief Executive Officer /Whole-time Director:

The Company shall appoint or re-appoint any person as its Managing Director & Chief Executive Officer 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) Non-Executive Director

- Non-Executive Non-Independent Director: The term of Non-Executive Non-Independent Director shall be as per the terms as maybe decided by the Board or by virtue of any agreement, subject to the approval of the shareholders, if any.
- Independent Director: The term of Independent Directors are as follows:
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 expiry of three 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.

6.3 Remuneration

A) Managing Director & Chief Executive Officer /Whole-time Director:

The terms and conditions relating to the appointment including remuneration of the Managing Director & CEO/ Whole-time Directors of the Company and its revision will be considered by the Nomination and Remuneration Committee and recommended for the approval of the Board and will be subject to the prior approval and the shareholders of the Company.

The compensation of Managing Director & CEO/Whole-time Director may be aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

The compensation structure Managing Director & CEO /Whole-time Director & shall broadly comprise of the following components.

I. Fixed Pay

The fixed portion of compensation for MD & CEO and other Whole Time Directors needs to be reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice. All the fixed items of compensation, including the perquisites and contribution towards superannuation/ retiral benefits constitute 'Fixed Pay'. All perquisites that are reimbursable will also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) will also be part of fixed pay.

II. Variable Pay

The variable pay shall have a co-relationship with the performance of MD & CEO and other Whole Time Directors against a prescribed benchmark along with the factors such as the financial performance of the Company.

Total Variable Pay component of remuneration may be truly and effectively variable and can even be reduced to zero based on performance at an individual, business-unit and company-wide level. The framework for payment of Total Variable Pay, including Target Variable Pay has been defined under Board approved Performance Linked Incentive Scheme/Plan for Managing Director.

Total Variable Pay can be in the form of share-linked instruments, or a mix of cash and employee stock options (excluding Promoter).

The Company may use a combination of financial and non-financial measures the performance of MD & CEO and Whole-time Directors, and to take decision on grant of Total Variable Pay.

The Guaranteed bonus may not be paid to MD & CEO & Whole-time Director. However, in case of new hiring joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

Certain portion of variable pay, as decided by the Board of the company, may be deferred to time horizon of the risks and the deferred compensation may be subject to malus/clawback arrangements in the event of subdued or negative financial performance of the Company as may be decided by

the Nomination and Remuneration Committee.

III. ESOP

Managing Director & CEO and Whole-time Directors (other than Promoters) are eligible for grants as per the ESOP scheme in the Company which has been designed to reward performance and drive long term retention of critical talent.

IV. Sitting Fees

No sitting fees will be paid to Managing Director & CEO/Whole time Directors of the Company for attending the meetings of the Board/Committees thereof or for any of its subsidiary companies.

B) Remuneration to Non- Executive Non -Independent / Independent Director :

a) Remuneration / Commission:

- The remuneration / commission shall be fixed as per statutory provisions, if any and approval of the Board and/or Shareholders be taken, wherever required.
Further, Non-Executive Directors excluding Independent directors are eligible for grants as per the ESOP scheme in the Company.

b) Sitting Fees:

- The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. One Lac per meeting of the Board or Committee or such amount as may be approved by the Board and subject to compliance of all applicable laws in this regard.

7. Criteria to be considered while appointing KMP (other than MD&CEO/ WTD), Senior Management Personnel

- a) A person proposed to be employed by the Company as KMP & Senior Management shall possess requisite qualifications (wherever applicable) as may be prescribed under any law, rules and regulations;
- b) The overall experience of the person and the relevant experience in the required field of Expertise;
- c) Academic records / background, educational qualifications, including specialised qualifications in relevant areas;
- d) Highest levels of personal and professional ethics and integrity;
- e) Demonstrable leadership skills, good interpersonal relationships and possessing managerial abilities such as effective communication skills, action focus, people engagement, cultural sensitivity, strategic thinking etc.

The KMP & Senior Management Personnel shall be appointed by the Board based on the recommendation of the Nomination and Remuneration Committee.

Remuneration to KMP and Senior Management Personnel

The Remuneration of KMP and Senior Management Personnel shall be based on the following main principles:

- a) Demand-supply relationship of the concerned job expertise.
- b) Need of organization to retain and attract talent and its ability to pay.
- c) Employees' social aspiration for enhancing standard of living.
- d) Compensation trends in the industries in which the Company operates.

The compensation of other KMP and Senior Management Personnel may be aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

The compensation structure of KMP and Senior Management Personnel shall broadly comprise of the following components.

A. Fixed Pay

The fixed portion of compensation for KMP and Senior Management Personnel may be reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice. All the fixed items of compensation, including the perquisites and contribution towards superannuation/ retiral benefits constitute 'Fixed Pay'. All perquisites that are reimbursable will also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) will also be part of fixed pay.

B. Variable Pay

The variable pay shall have a co-relationship with the performance of such other KMP and Senior Management against a prescribed benchmark along with the factors such as the financial performance of the Company.

Total Variable Pay component of remuneration may be truly and effectively variable and can even be reduced to zero based on performance at an individual, business-unit and company-wide level. The framework for payment of Total Variable Pay, including Target Variable Pay have been defined under Board approved Performance Linked Incentive Scheme/Plan for KMP and Senior Management Personnel

Total Variable Pay can be in the form of share-linked instruments, or a mix of cash and employee stock options.

The Company may use a combination of financial and non-financial measures to assess employee performance and to take decision on grant of Total Variable Pay.

The Guaranteed bonus may not be paid to KMP and Senior Management Personnel. However, in case of new hiring joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

Certain portion of variable pay, as decided by the Board of the company, may be deferred to time horizon of the risks and the deferred compensation may be subject to malus/clawback arrangements in the event of subdued or negative financial performance of the Company.

C. ESOP

KMP and Senior Management are eligible for grants as per the ESOP scheme in the Company which has been designed to reward performance and drive long term retention of critical talent.

8. MALUS/CLAWBACK

Pursuance to the RBI guidelines, Malus/ Clawback arrangements under this Policy shall be applicable to all the employees of the Company that shall be subject to specific approval of NRC Committee, where required.

Invoking Malus/Clawback clauses.

- Negative Financial Performance of the Company to achieve its targeted Profits where the Committee may take into consideration conditions leading to the negative financial performance, including regulatory changes, industry performance and others.
- An act of gross negligence occurs when a professional fails to meet the standard of due diligence or commits a negligent error that another similarly skilled professional would have most likely avoided.
- In the event of the commission of felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity, gross or wilful insubordination, or any other act detrimental to the interest of the Company
- In subordination, or any other act detrimental to the interest of the Company.
- In the event where the clawback clause is invoked, the employee will return the previously received Total Variable Pay back to the Company, taking into account relevant regulatory/ statutory stipulations.

ANNEXURE I
DEFINITION OF FIXED PAY

| Details of Fixed Remuneration | Particulars |
|--------------------------------------|--|
| Monthly Cash Components | <ul style="list-style-type: none">• Basic Pay• House Rent Allowance• Other Fixed Allowances as may be decided by the Board of Directors of the Company from time to time |
| Retiral Benefits | <ul style="list-style-type: none">• Provident Fund• Gratuity |
| Perquisites/ Reimbursements | As per the Human Capital Policy |