


NOMINATION AND REMUNERATION POLICY**Issue Date:****Effective Date:** 01.04.2023

| Name & Designation | Revised version prepared by- | Reviewed by- | Approved by- |
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| Date | 16.08.2022 | | |

Revision history:

| Issue date | Version no. | Clause revised |
|------------|-------------|--|
| 01.11.2019 | 1.0 | First issue |
| 13.02.2023 | 1.1 | Updated to align with RBI guidelines on Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs dated 29/04/2022 |
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|  Lending simplified. Growth amplified. | Document No: HR_POL_16 |
| | Version No: 1.1 |
| NOMINATION AND REMUNERATION POLICY | Issue Date: |
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1. Objective: NeoGrowth’s Nomination and Remuneration Policy is designed to attract and retain high quality talent, that gives the Company a unique competitive advantage and enables the Company to achieve its objectives.

‘People’ remain the most important asset and there is a constant endeavor to ensure right set of talent acquisition takes place and capacity development is enabled so that right people and organization capabilities are in place. Furthermore, emphasis is given to adequate employee engagement. This collectively ensures a performance driven culture with a highly motivated manpower. The Company follows a robust and fair performance assessment by aligning well defined individual goals to the Company’s strategic objectives.

2. Applicability of the Policy: For the Directors, Key Management Personnel, Senior Management Personnel and Other Employees.

3. Date Effective: This revised policy is effective for Appraisal cycle FY2023-2024 and onwards and for ESOPs or any other employee remuneration components issued post 1st of April 2023. For any previous ESOPs/employee remuneration components upto Appraisal cycle of FY2022-2023, version 1.0 of the policy would be applicable.

4. Definitions:

“Act” means the Companies Act, 2013 and the rules framed thereunder as amended from time to time.

“Board” means Board of Directors of the Company.


“Company” means NeoGrowth Credit Private Limited.

“Directors” mean Directors of the Company.

“Key Managerial Personnel” (KMP) means (a) Whole Time Directors (b) Managing Director (c) Chief Executive Officer (CEO), (d) Chief Financial Officer (CFO), (e) Company Secretary;

“Senior Management Personnel” (SMP) includes other CXOs apart from CEO and CFO mentioned above, that is:

- Chief Business Officer (CBO),
- Chief Product Officer (CPO),
- Chief Technology Officer (CTO) and
- Any other CXO as and when onboarded/promoted.

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|---|-----------------------------------|
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“Policy or This Policy” means “Nomination and Remuneration Policy of the Company.”

“PLP” means annual Performance Linked Variable Pay. PLP is cash component of variable pay. ESOPs will be non-cash component of variable pay. PLP will not have any guaranteed component and it can be Zero (Nil) also. PLP would be paid annually after annual appraisal and as per eligibility and qualifying criteria as defined from time to time.

5. Preamble

The Nomination and Remuneration Policy is drafted to provide a framework for the remuneration of the Directors, Key Managerial Personnel (KMP), Senior Management Personnel (SMP) and other employees.

As required under the provisions of the Companies Act, 2013 read along with the applicable rules thereto and Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, and in compliance with RBI guidelines on Corporate Governance and further to RBI Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs dated 29 April 2022, the Company has constituted a Nomination and Remuneration Committee (NRC).

The composition and the framework of the NRC under which it performs is as under:


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| Chairman | i. Chairman of the Committee shall be a Non-Executive Director. ii. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman. |
| Composition | i. The Committee shall consist of a minimum 3 Directors. ii. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairperson of the Committee. |
| Meetings and Quorum | i. The Committee shall meet at least once in a year and as and when necessary to review and monitor the risk associated with business of the Company. ii. The quorum shall be at least two Directors or 1/3 rd of the total number of directors whichever is higher . iii. Chairman of the Committee or in his absence, any other member of the Committee authorised by him shall attend the General Meetings of the Company. |

NOMINATION AND REMUNERATION POLICY

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| Terms of reference | <ol style="list-style-type: none"> 1) To formulate a criteria for determining qualifications, positive attributes and independence of a Director. 2) To ensure 'fit and proper' status of proposed/ existing Directors. 3) 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. 4) 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, if applicable. 5) To recommend to the Board the appointment and removal of Key Managerial Personnel or Senior Management Personnel 6) To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance, if applicable. 7) To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management Personnel and (ii) Executive Directors remuneration and incentive. 8) To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract. 9) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks, 10) 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. |
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Major Principles and Objectives of NeoGrowth's Nomination and Remuneration Policy for Directors are as under:

- a. 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
- b. To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks
- c. 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
- d. Compensate Directors adequately for the efforts put in by them for the growth of organization taking into consideration their significant professional expertise and


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rich experience across a wide spectrum of functional areas, time commitment, ensuring compliance with various statutory requirements and current competitive business environment

- e. Aligning remuneration of Board of Directors with the longer-term interests of NeoGrowth and its shareholders
- f. 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.
- g. 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;
- h. 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, as may be applicable to the Company.

Major Principles and Objectives of NeoGrowth Remuneration Policy for KMP, SMP are as under:

- a. Help attract and retain employees:
 - i. Pay elements and structure to be market competitive.
 - ii. Flexibility and agility in approach to design / review structure
 - iii. Reward meritocracy, with differentiation based on performance.
- b. Emphasize alignment with stated NeoGrowth Values such as Customer Focus Integrity, Trust and Openness, Empowerment, Accountability and Result-Orientation:
 - i. Compensation program designed to promote, measure and reward excellence on these key organization values
- c. Evaluate and Reward Performance over Time
 - i. Program design to ensure balance between short term versus long term financial performance and health of the organization
 - ii. Drive long term commitment and ownership for decisions through equity awards to critical profiles with deferred vesting schedule
- d. Balance between market competitiveness and internal alignment
 - i. Pay levels to be referenced to other relevant set of NBFCs and Banks from time to time
- e. To leverage Remuneration as an effective instrument to enhance performance and therefore link a significant component of remuneration to both individual and collective performance outcomes

| | |
|---|-----------------------------------|
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| | Version No: 1.1 |
| NOMINATION AND REMUNERATION POLICY | Issue Date: |
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6. Remuneration to Non-executive / Independent Directors

a. The key elements of remuneration of Non-executive / Independent Directors are Professional fees, commission and sitting fees, subject to overall limit as prescribed in the Companies Act, 2013 & Rules made there, and the Reserve Bank of India ("RBI") Circulars /Guidelines / Notifications/Directions, issued from time to time.

b. Professional Fees

The Independent Directors shall be entitled to receive Professional fees as may be agreed between the Company and the Independent Director, with the approval of Nomination and Remuneration Committee and the Board.

Commission

- c. In accordance with the applicable provisions of the Companies Act, 2013, the Directors (excluding Managing Director and Whole-time Director) may be paid remuneration by way of commission, either by way of a monthly payment or at a specified percentage of the net profits of the company or partly by one way and partly by the other.
- d. Since, the Non-executive/ Independent Directors collectively endeavour to ensure that the Company performs well and is compliant with applicable laws, rules, regulations and guidelines, the commission paid to them, except the Chairman of the Company, shall be subject to the approval of the Board of Directors of the Company.
- e. Since, the Non-executive Chairman continues to play a key role at the Board, is a member of key committees and represents the business interest of the Company at various forums, he may be paid commission higher than the other Non-executive /Independent Directors, subject to the approval of the Board and RBI, as applicable.
- f. The payment of commission to the Non-executive / Independent Directors of the Company will require the approval of the Board or shareholders by way of an Ordinary Resolution, as the case may be.


g. Sitting Fees and Other Expenses

These will be decided by the Board or shareholders from time to time.

D&O Policy

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

7. Remuneration to Executive Directors

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|---|-----------------------------------|
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| NOMINATION AND REMUNERATION POLICY | Issue Date: |
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- a. The remuneration paid to Executive Directors includes fixed salary, perquisites, PLP, certain retiral benefits, allowances and other benefits, as per the Companies Act, 2013 and rules framed thereunder and within the limits as may be approved by the Reserve Bank of India.
- b. Annual increments to Executive Directors shall be linked to their overall performance and as decided by the NRC.

Commission

- c. No commission shall be paid to the Executive Directors of the Company.

Stock Options

- d. The Executive Directors shall also be eligible for stock options as per the scheme of the Company, from time to time.

D&O Policy

- e. The Executive Directors shall be covered under the Directors and Officers Liability Insurance (“D&O”) Policy.

8. Remuneration of KMPs and SMPs

The key components of remuneration package of the KMPs and SMPs of the Company shall comprise of fixed salary, perquisites, certain retiral benefits, allowances, retention fixed pay, PLP and other benefits as per the Companies Act, 2013 and rules framed thereunder and within the limits as may be prescribed by the law.


KMPs and SMPs may also be eligible for stock options as per the scheme of the Company, from time to time which may vest over the time or accelerated vesting on meeting specific conditions as per the scheme.

Annual increment and PLP to a Whole Time Director/Managing Director shall be based on overall performance measured against the goals for the specific financial year and other qualitative aspects approved by the NRC.

The annual increments for the other KMPs (other than Whole Time Director/s) and SMPs shall be linked to their overall performance, performance of the Company and as recommended by the Managing Director and CEO and approved by NRC.

D&O Policy

The KMPs and SMPs shall be covered under the Directors and Officers Liability Insurance (“D&O”) Policy.

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Variable component of compensation

The proportion of PLP in total compensation shall be commensurate with the role and prudent risk-taking profile of KMPs, SMPs. At higher levels of responsibility, the proportion of PLP pay shall be higher.

Employee Stock Options

The KMPs and SMPs shall also be eligible for employee stock options as per the scheme of the Company, from time to time.

The PLP for the KMPs and SMPs shall be truly and effectively variable and will be based on performance at an individual, business-unit and company-wide level. For the same, the Company shall use a combination of financial and non-financial measures to assess employee performance, and to take a decision on grant of PLP. The quantitative and qualitative Goals for KMPs & SMPs will be approved by NRC at the beginning of the year.

Deferral


For KMPs and SMPs, both PLP and ESOP pay may be deferred as recommended by the NRC and as approved by the Board of the Company. Whenever it is being deferred, date of payment and amount of payment would be mentioned. However, where the PLP is below the threshold limit defined by the NRC, deferral requirement will not be necessary. In the event of a separation on good terms with the Company, the MD & CEO shall have the discretion to waive part or whole of the deferred pay and in the event of a separation of MD & CEO or an Executive Director on good terms with the Company, the NRC shall have the discretion to waive part or whole of the deferred pay.

NeoGrowth shall ensure that compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on the internal capital Adequacy Assessment Process (ICAAP).

9. Remuneration of Functional Leadership in Control Functions

The laying down a compensation policy of Functional Leadership in Control Functions (Risk, Information Security, Compliance and Internal Audit & Controls departments) is to ensure that they are compensated in a manner that is independent of the business areas they oversee and to ensure that their compensation is not materially affected by the short-term goals.

The key components of remuneration package of the Functional Leadership in Control Functions shall comprise of fixed salary, perquisites, certain retiral benefits, allowances,

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|---|-----------------------------------|
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| | Version No: 1.1 |
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PLP and other benefits as per the Companies Act, 2013 and rules framed thereunder and within the limits as may be approved by the Reserve Bank of India, wherever applicable. They may also be eligible for stock options as per the scheme of the Company, from time to time. The ratio of fixed and PLP compensation will be weighed towards fixed compensation.

10. Remuneration of other employees

The key components of remuneration package of the other employees of the Company shall comprise of fixed salary, perquisites, certain retiral benefits, allowances, PLP (wherever applicable) and other benefits and as per the Companies Act, 2013 and rules framed thereunder and within the limits as may be approved by the Reserve Bank of India, wherever applicable.

For employees in customer facing roles like in Sales and Collections departments and mid-level roles, to drive performance, there would be performance linked incentive payout on monthly/quarterly basis and they may also be eligible for PLP.

For majority of entry level and junior positions in other departments, since these roles are not decision makers and since the compensations are relatively lower, the Company intends to have their remuneration to be either only with fixed component or with only a relatively smaller share of PLP.

Employees across grade and level must conduct themselves to ensure that no breach of Code of Conduct and applicable Codes is committed. Any such breach will have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.


11. Malus

Definition:

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

Criteria to invoke Malus clause

In the event of the commission of felony, fraud, misappropriation, embezzlement or an offence involving moral turpitude or breach of integrity, the Malus clause can be considered. Employee has to be given a fair chance to represent his/her side.

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|---|-----------------------------------|
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| | Version No: 1.1 |
| NOMINATION AND REMUNERATION POLICY | Issue Date: |
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In the event the NRC becomes aware of any above criteria being invoked, it shall evaluate and decide if malus needs to be applied on none, part or entire variable component (PLP and/or ESOP) along with the time period.

12. Disclosures in the Board’s Report

The disclosures as required under the relevant provisions of the Companies Act, 2013 and RBI Circulars/Guidelines/Notifications/Directions, issued from time to time, shall be made with regard to the remuneration details of the Directors, KMPs, SMPs and other employees.

13. Policy review

This Policy may be amended, modified or supplemented, from time to time, 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 relating to employee / Directors’ compensation, issued from time to time.

Any such amendment shall be approved by the NRC of the Company. The NRC may issue / implement such guidelines, procedures, formats and / or reporting mechanisms to enforce this Policy as it may deem fit.