

## NOMINATION, REMUNERATION AND EVALUATION POLICY OF

### Navi Finserv Limited

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<b>Policy owner</b>	HR Team
<b>Approved by</b>	Board of Directors
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February 12, 2025	Amendments in line with the amendment to the SEBI (Listing Obligations and Disclosure Requirements) Regulations dated	No later than February 12, 2026



## 1. INTRODUCTION

- 1.1. The Nomination, Remuneration and Evaluation Policy ("**Policy**") of Navi Finserv Limited ("**NFL**" or "**Company**") is formulated under the requirements of applicable laws, including the Companies Act, 2013 ("**Act**"), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("**Listing Regulations**") and the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 issued by the Reserve Bank of India ("**Scale Based Regulations**").

## 2. OBJECTIVE AND PURPOSE

- 1.1. The objectives and purpose of this Policy are:
- (i) To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a director (executive/non-executive/independent) of the Company ("**Director**"), KMP and Senior Management.
  - (ii) To formulate the policy relating to the remuneration of the Directors, KMP and Senior Management to the Board of Directors of the Company ("**Board**").
  - (iii) To formulate the parameters for evaluation of individual Directors, Chairperson of the Board, the Board as a whole and the Committees of the Board.
  - (iv) To lay down the principles for Board Diversity.
- 1.2. This includes reviewing the compensation of the executive Directors, evaluating their performance in light of the goals and objectives, and, either as a committee or together with the other Independent Directors (as directed by the Board), determining and approving executive Directors' compensation based on this evaluation; making recommendations to the Board with respect to KMP and Senior Management compensation and recommending incentive-compensation and equity-based plans that are subject to approval of the Board; ensuring 'fit and proper' status of proposed/ existing directors and that there is no conflict of interest in the appointment of directors on the Board of the Company, KMP and Senior Management.

## 3. CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE

- 1.3. The Board has constituted the "Nomination and Remuneration Committee" (the "**Committee**") in line with the requirements under the Act, Listing Regulations and the Scale Based Regulations. This Policy and the Nomination and Remuneration Committee Charter are integral to the functioning of the Nomination and Remuneration Committee and are to be read together.

The Board has authority to reconstitute this Committee from time to time.

#### 4. DEFINITIONS

- (i) **'Board'** means Board of Directors of the Company.
- (ii) **'Directors'** means directors of the Company.
- (iii) **'Committee'** means Nomination and Remuneration Committee of the Company as constituted or re-constituted by the Board, in accordance with the Act and applicable Listing Regulations.
- (iv) **'Company'** means Navi Finserv Limited.
- (v) **'Core Management Team'** means people taking business decisions and managing key affairs of the Company and included in the core management team by the Company.
- (vi) **'Independent Director'** means a Director referred to in Section 149(6) of the Act and rules
- (vii) **'Key Managerial Personnel (KMP)'** means-
  - a) the Managing Director or Chief Executive Officer or manager
  - b) Whole-time Director
  - c) the Company Secretary;
  - d) the Chief Financial Officer;
  - e) the Compliance Officer appointed under regulation 6 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
  - f) 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; and
  - g) Any other person as defined under the Act from time to time
- (viii) **'Nomination and Remuneration Committee Charter'** means the charter of the Committee in line with the Act and Listing Regulations as approved by the Board and adopted by the Nomination and Remuneration Committee, from time to time

- (ix) **'Senior Management'** means officers/personnel of the Company who are members of its Core Management Team excluding the Board comprising all members of management one level below the executive Directors, including the functional heads, company secretary and chief financial officer.
- (x) **'Malus'** is an arrangement which permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.
- (xi) **'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.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act, and Listing Regulations as may be amended from time to time shall have the meaning respectively assigned to them therein.

## **GENERAL**

*This Policy is divided in three parts: -*

Part – A covers the matters to be dealt with and recommended by the Committee to the Board;

Part – B covers the appointment and removal of Directors, KMP and Senior Management; and

Part – C covers remuneration for Directors, KMP and Senior Management

### **Part – A**

#### **Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee**

The following matters shall be dealt with by the Committee: -

- (i) Size and composition of the Board:

Periodically reviewing the size and composition of the Board to have an appropriate mix of executive and Independent Directors to maintain its independence and separate its functions of governance and management and to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company;

- (ii) Directors:

Formulate the criteria determining qualifications, positive attributes and independence of a Director and recommend candidates to the Board when circumstances warrant the appointment

of a new Director, having regard to qualifications, integrity, expertise and experience for the position.

(iii) Succession plans:

Establishing and reviewing Board, KMP and Senior Management succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management.

(iv) Evaluation of performance:

- (a) Make recommendations to the Board on appropriate performance criteria for the Directors.
- (b) Formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company or engage with a third-party facilitator in doing so.
- (c) Identify ongoing training and education programs for the Board to ensure that Non-Executive Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.

(v) Board diversity:

The Committee is to assist the Board in ensuring the Board nomination process is in line with the diversity policy of the Board relating to gender, thought, experience, knowledge and perspectives. The policy on Board diversity is available as **Annexure A**

(vi) Recoupment Policy:

The Committee is responsible for recommending to the Board, the application of the Recoupment Policy in relation to any incentive-based compensation (as defined in the Recoupment Policy), that shall be recovered from the current or past Director, KMP or Senior Management in the event of any misconduct by the Director, KMP or Senior Management or negative/subdued financial performance of the Company. The Recoupment Policy is available as **Annexure B**.

(vii) Remuneration framework and policies:

The Committee is responsible for reviewing and making recommendations to the Board on:

- (a) Remuneration of executive Directors to be presented for shareholders' approval including severance, if any.
- (b) Individual and total remuneration of non-executive Directors, including Independent Directors and the chairperson (if non- executive), including any additional fees payable for

membership of Board committees;

- (c) the remuneration and remuneration policies for KMP and Senior Management including base pay, incentive payments, equity awards, retirement rights, severance pay, if any and service contracts having regard to the need to:
  - a) attract and motivate talent to pursue the Company's long term growth;
  - b) demonstrate a clear relationship between executive compensation and performance;
  - c) be reasonable and fair, having regard to best governance practices and legal requirements and
  - d) balance between fixed and incentive pay reflecting short and long-term performance objectives as appropriate for the Company and its goals
- (d) the Company's incentive compensation and equity-based plans including a consideration of performance thresholds and regulatory and market requirements;
- (e) The Committee shall work in close coordination with the Risk Management Committee ("**RMC**") of the Company to achieve effective alignment between compensation and risks. The Committee and RMC will follow the procedure prescribed by the Board from time to time, for such meeting/coordination between the Committee and RMC.
- (f) The Committee 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).
- (g) The Committee shall ensure that there are no potential conflicts of interest in the appointment of Directors, KMP and Senior Management.

## **PART – B**

### **Policy for appointment and removal of Directors, KMP and Senior Management**

#### **(a) *Appointment criteria and qualifications***

- (i) The Committee while recommending any appointment to the Board shall ensure that Core Management Team has undertaken sufficient checks and have identified candidates considering the qualification, expertise and experience for the relevant position and accordingly recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.

- (ii) A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
- (iii) For every appointment of an Independent Director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director. The person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - a. use the services of an external agencies, if required;
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates.
- (iv) The Company shall not appoint or continue the employment of any person as Managing Director / executive Director who has attained the age of sixty years and shall not appoint Independent Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended at the discretion of the Committee beyond the age of sixty years/seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond sixty years/seventy years as the case may be.
- (v) A whole-time KMP of the Company shall not hold office in more than one company except in a subsidiary of the Company at the same time. However, a whole-time KMP can be appointed as a director in a company, with the permission of the Board of Directors of the Company.

### **Appointment of Director**

The management shall assess the candidature of a person to be appointed as a Director as per the internal supervisory assessment process for facilitating due diligence on proposed director. The assessment report along with the required documents shall be submitted to the Committee. The Committee shall consider the following factors to nominate a potential candidate for appointment as a director on the Board:

- Educational Qualification
- Experience and field of Technical Expertise
- Relevant Background and Integrity



- Potential conflicts of Interest and Independence
- Relevant records of professional Achievements
- Legal/regulatory proceedings. If any, against the candidate/ Director
- Terms and Qualifications prescribed under other RBI Directives, Act or any other Statute as may be applicable
- Signed Deeds and/ Declarations submitted by the Candidate/ Director.
- Internal assessment report on the candidature of the proposed director.
- Such other factors/documents/information as the Committee may require;
- None of the disqualifications envisaged under Section 164 of the Act apply

The Committee shall also evaluate the fit and proper criteria as required under the Scale Based Regulations and other regulations as applicable to the Company.

### **Appointment of KMP and Senior Management**

A person to be appointed as KMP or Senior Management personnel should possess adequate qualification, expertise and experience for the position he / she is considered for and impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other KMP/ Senior Management personnel.

The assessment report along with the required documents shall be submitted to the Committee. The Committee shall consider the following factors to nominate a potential candidate for appointment as a KMP or Senior Management personnel:

- highest levels of personal and professional ethics and integrity;
- demonstrable leadership skills;
- specialist knowledge, qualification and/or experience required for the position in question;
- good interpersonal relationships;
- demonstrating intelligence, maturity and wisdom;
- possesses managerial abilities such as effective communication skills, action focus, people engagement, cultural sensitivity, flexibility, team player, strategic thinking, etc.;
- sharing and demonstrating the values of the Company; and

- ability to significantly contribute towards achievement of the strategic and business objectives of the Company.
- no adverse observations against him from any regulator

**(a) *Term / Tenure***

(i) Managing Director / Whole-time Director

The Company shall appoint or re-appoint any person as its Managing Director and CEO or Whole- time 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.

(ii) Independent Director

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. At the time of appointment of Independent Director, it should be ensured that the number of Boards on which such Independent Director serves, is restricted as per the applicable regulations in force.

**(b) *Removal***

Due to reasons for any disqualification mentioned in the Act, rules made thereunder or under any other applicable act, rules or regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said act, rules and regulations.

**(c) *Retirement***

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

**PART – C**

**Policy relating to the remuneration for Directors, KMP and Senior Management**

## **General**

- (i) The remuneration / compensation / commission etc. to be paid to Directors will be determined by the Committee, in consultation with Executive Directors and recommended to the Board for approval.
- (ii) The remuneration and commission to be paid to the Managing Director/Whole-time Director shall not be in excess of limits laid down under the provisions of the Act, and the rules made thereunder.
- (iii) Increments to the existing remuneration/compensation structure may be recommended by the Committee to the Board, which should be within the limits approved by the Shareholders in the case of Managing Director/ Whole-time Director.
- (iv) Where any insurance is taken by the Company on behalf of its Directors, KMP and Senior Management for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel, provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

### **(a) Remuneration to KMP and Senior Management**

The pay program for KMP and Senior Management has been designed around three primary pay components: Base/Fixed pay, Performance Bonus and Stock Incentives. These three components together constitute the "Total Compensation" of the KMP and Senior Management.

- (i) **Base/ Fixed pay:** It is guaranteed pay and paid periodically, usually monthly and would include perquisites and other allowances.
- (ii) **Variable Pay**
  - a. **Performance Bonus:** Cash bonus, payable on the achievement of identified goals and / or performance of the employee, and will be determined by the Committee.
  - b. **Stock Incentives:** Stock or equity based incentives are time-based equity grants. Time based stock incentives, in the form of ESOPs/ stock options of Navi Technologies Limited\*, are vested based on seniority, continuation of service, performance of the employee, ESOPs already granted to such person, available pool of ESOPs proposed to be granted that particular year, etc. The stock incentives are governed by the Company's stock option plan as approved by the shareholders or any other plans as may be amended.

\*- The cost for such ESOPs is borne by the Company.

This performance bonus will not be a guaranteed amount. While new hiring/joining/sign-on bonus can be paid to KMP and Senior Management, it will not be considered as the part of fixed pay or variable pay. The variable pay is truly and effectively variable and based on the performance of the KMP and Senior Management and can also reduce to zero on that basis. The total rewards for KMP and Senior Management are designed to ensure their continued alignment with organizational goals and are commensurate with their risk-taking profile. The Committee shall aim to ensure that KMP and Senior Management pay is reflective of market pay, consisting of a balanced mix of Base/ Fixed pay, Performance Bonus and Stock Incentives.

The management will ensure that the proportion of variable pay to fixed pay is commensurate with the responsibilities of the KMP and Senior Management, and accordingly shall communicate the performance measures and their relation to the pay program at the very beginning of the performance measurement period.

The emphasis on Stock Incentives ensures alignment with shareholders' interests, through a continued focus on the Company's sustainable, long-term performance balanced with prudent risk-taking.

The total rewards for KMP and Senior Management may be subject to the following conditions, as may be decided by the Board on a case by case basis:

- (i) Certain portion of the variable pay for KMP and Senior Management, as decided by the Board of Directors, may be deferred to the time horizon of risks. Such deferred payment may also be subject to Malus or Clawback arrangements based on misconduct by Director, KMP or Senior Management or negative/subdued financial performance of the Company. The period during which Malus or Clawback arrangement can be applied, including the deferral and retention period, will be specified by the Company from time to time.
- (ii) The compensation for KMP and Senior Management engaged in managing financial control, risk management, compliance and internal audit will be independent of their business area. While they may have a higher proportion of fixed pay than variable pay, a reasonable proportion of their compensation will be in the form of variable pay and commensurate with their key role in the company.

***(b) Remuneration to other employees***

The compensation for other employees would be as per the compensation policy of the Company, as revised through the compensation review process from time to time and approved by the Chief Executive Officer, in consultation with the Head- HR.

***(c) Minimum remuneration to Whole-time Directors***

If, in any financial year, the Company has no profits or its profits are inadequate, the Company

shall pay remuneration to its Whole-time Directors in accordance with the provisions of Schedule V of the Act.

The Company currently does not pay any remuneration to its Whole Time Directors.

**(d) *Remuneration to Non-Executive / Independent Directors***

Remuneration: The remuneration payable to each Non-Executive Director is based on the remuneration structure as determined by the Board, and is revised from time to time, depending on individual contribution, the Company's performance, and the provisions of the Act and the rules made thereunder. If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Non-Executive / Independent Directors in accordance with the provisions of Schedule V of the Act.

- i. Stock Incentive: The Independent Directors shall not be entitled to any stock incentive of the Company.
- ii. The remuneration to the Non-executive Directors (including Independent Directors) may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

**POLICY REVIEW**

- (i) This Policy is framed based on the provisions of the Act and rules thereunder, the requirements of Listing Regulations and the Scale Based Regulations.
- (ii) In case of any subsequent changes in the provisions of the Act, Listing Regulations or the Scale Based Regulations or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the Policy and the provisions in the policy would be modified in due course to make it consistent with law.
- (iii) This Policy shall be reviewed by the Nomination and Remuneration Committee every year or as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification to the Policy as recommended by the Committee would be placed before the Board of Directors for their approval.

## **Annexure A**

### **BOARD DIVERSITY POLICY**

The Company believes in and embraces the benefit of having a diverse Board of Directors and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of the differences in the skills, regional and industry experience, background, gender and other distinctions between Directors.

These distinctions would be considered in determining the optimum composition of the Board and when possible, would be balanced appropriately.

At a minimum, the Board of the Company shall consist of at least one woman Independent Director. All Board appointments are made on merit, in context of the knowledge, skills, experience, independence and integrity which are required to make the Board effective.

In reviewing the Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to discharge its duties and responsibilities effectively.

In identifying suitable candidates for appointment for the Board, the Committee will consider candidates on merit against objective criteria and due regard for the benefits of diversity on the Board.

As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Committee will consider the balance of skills, experience, independence and knowledge of the Company on the Board and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

## **Annexure B:**

### **RECOUPMENT POLICY**

In the event of any misconduct by a Director, KMP or Senior Management or negative/subdued financial performance of Navi Finserv Limited ("**Company**") or if the Company restates its financial statements due to fraud or non-compliance of any rules, regulations or accounting standards applicable to the Company, to the extent permitted or required by governing laws, the Company shall seek to recover all Incentive Based Compensation received by any Director, KMP or Senior Management of the Company.

For the purposes of this Policy:

**"Effective Date"** means the date of approval of the recoupment policy by the Board in its meeting held on March 20, 2023

**"Incentive Based Compensation"** means all cash-based and share-based compensation earned or paid after the Effective Date, the earning or vesting of which was based on the attainment of a financial measure or financial performance of the Company.

This Policy shall be applied and interpreted in accordance with rules and regulations that are adopted and become effective, from time to time, by the Securities and Exchange Board of India, Companies Act of 2013, the Scale Based Regulation or other applicable law or listing requirements of any exchanges on which the securities of the Company is listed or traded, and otherwise shall be applied and interpreted in the judgment of the Nomination and Remuneration Committee.