



**OXYZO FINANCIAL SERVICES PRIVATE LIMITED (COMPANY OR  
OXYZO)**

**NOMINATION AND REMUNERATION POLICY**

**REVIEW & APPROVING AUTHORITY**

Authority	Designation
Prepared By	Company Secretary
Reviewed By	Level 1- Operational Committee Level 2: Nomination & Remuneration Committee
Approved By	Board of Directors

**VERSION HISTORY**

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1.0	21-08-2019	Created
2.0	15-02-2023	Modification by Operational Committee (Composition of Committee shows as Annexure)
3.0	24.03.2023	Modification for compensation applicable on KMP and senior management as per Rbi Circular DOR.GOV.REC.No.29/18.10.002/2022-23 dated April 29, 2022)

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## TABLE OF CONTENTS

S.NO	PARTICULARS	PAGE NO.
1	Introduction	4
2	Objective	4
3	Definitions	4
4	Responsibilities of the Committee	5
5	<b>COMPOSITION OF NOMINATION &amp; REMUNERATION COMMITTEE</b>	5
6	<b>Principles for compensation applicable on KMP and senior management as per Rbi Circular DOR.GOV.REC.No.29/18.10.002/2022-23 dated April 29, 2022</b>	6
7	Appointment of directors/kmps/senior management	6
8	Fit and proper criteria	7
9	Criteria for independence	7-8
10	Removal of Directors/KMPs/Senior Management	9
11	Remuneration of Directors, Key Managerial Personnel and Senior Management	9
12	Monitoring and evaluation	9
13	Policy review	10

## **Introduction**

The Board of Directors of OXYZO Financial Services Private Limited (“the Company”) constituted the “Nomination and Remuneration Committee” at the Meeting held on 21.08.2019 with immediate effect, consisting of three (3) Non-Executive Directors of which not less than one-half are Independent Director.

### **1. OBJECTIVE**

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 and Guidelines of Reserve Bank of India on Corporate Governance Norms for NBFCs. The Key Objectives of the Committee would be:

- a. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- b. To Evaluate the performance of the members of the Board and provide necessary reports to the Board for further evaluation of the Board.
- c. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- d. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

### **2. DEFINITIONS**

- a. **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- b. **Board** means Board of Directors of the Company.
- c. **Company** means OXYZO Financial Services Private Limited
- d. **Directors** mean Directors of the Company.
- e. **Independent Director** means a director referred to in Section 149 (6) of the Companies Act, 2013.
- f. **Key Managerial Personnel (KMP)** means
  - Chief Executive Officer or the Managing Director
  - the Manager;
  - Whole-time director;
  - Chief Financial Officer
  - Company Secretary;

- such other officers as may be prescribed.
- g. 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
- h. Senior Management means Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads.
- Head of Departments-
- CXO - As the designation itself implies, the officer is the chief of a particular function. Appropriately, such remuneration should be included under the Guidelines.

### **3. RESPONSIBILITIES OF THE COMMITTEE**

The Nomination and Remuneration Committee is responsible for:

- a. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
- b. identifying individuals suitably qualified to be appointed as the KMPs or in the senior management of the Company; recommending to the Board on the selection of individuals nominated for directorship;
- c. making recommendations to the Board on the remuneration payable to the Directors/ KMPs/Senior Managements so appointed/reappointed;
- d. assessing the independence of independent directors;
- e. such other key issues/matters as may be referred by the Board or as may be necessary in view of the provision of the Companies Act 2013 and Rules thereunder.
- f. 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;
- g. ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- h. work in close coordination with Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risks.
- i. 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).

- j. 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.

#### **4. COMPOSITION OF NOMINATION & REMUNERATION COMMITTEE**

The Board of Directors of the Company shall constitute a Nomination and Remuneration Committee having three or more non-executive directors out of which not less than one-half shall be independent director. The Composition shall be defined by the Board time to time.

#### **5. Principles for compensation applicable on KMP and senior management as per Rbi Circular DOR.GOV.REC.No.29/18.10.002/2022-23 dated April 29, 2022.**

**Components and risk alignment:** The compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, adhere to statutory requirements and industry practices. The compensation packages may comprise of fixed and variable pay components 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 total remuneration for KMP and SMT has two main components:

- Fixed Pay and Variable Pay.
- Variable pay is further divided into payments made in cash as bonus and ESOPs.
- Company has an approved ESOP scheme that follows a 1-year vesting schedule post the grant. The policy follows the \_\_\_\_\_ model for arriving at the grant of shares.

Composition of Fixed Pay: perquisites and contributions towards superannuation/retiral benefits, perquisites that are reimbursable, non-monetary nature (such as free furnished house, use of company car, etc.)

**Composition of Variable Pay:** share-linked instruments, or a mix of cash and share-linked instruments.

**Proportion:** At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be proper balance between the cash and share-linked instruments in the variable pay, if any. The variable pay can be reduced to zero based on performance at an individual, business-unit and company-wide level. In order to perceive the incentive mechanism, performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period .

**Deferral 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.

**Control and assurance function personnel:** KMPs and senior management engaged in financial control, risk management, compliance and internal audit may

be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the company.

**Guaranteed bonus:** can not be given to KMPs and senior management. However, in the context of new hiring joining/sign-on bonus could be considered.

**Malus / Clawback:** The deferred compensation may be subject to malus/clawback arrangements in the event of subdued or negative financial performance of the company and/or the relevant line of business or employee misconduct in any year. A representative set of situations may be identified by the NBFC, which require them to invoke the malus and clawback clauses that may be applicable on entire variable pay.

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

1. Material breach of company's Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus or / and Clawback provisions.
2. Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
3. Wilful misinterpretation / misreporting of financial performance of the company.
4. Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal in nature.
5. Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
6. An act of wilful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the company.
7. Malus may also be applied in the situation of significant deterioration of financial or risk performance from one financial year to the next.
  - a) The performance measures defined as part of goal setting process of the company, business threshold metric and sustainable business strategy framework would form the primary considerations for evaluating the application of Malus in this condition.
  - b) 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.
8. 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.
  - a) The performance measures defined as part of goal setting process of the company, business threshold metric and sustainable business

strategy framework would form the primary considerations for evaluating the application of Malus in this condition.

- b) 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.

#### **Application of Malus & Clawback provisions:**

1. 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.
2. The review by the NRC will aim to determine involvement, accountability, severity and wilful nature of the act of the concerned person/s.
3. Bonafide errors of judgment will not be subject to Malus provisions.
4. 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 of the unpaid cash portion of variable pay or unvested ESOPs basis level of involvement, proportionality and impact.
5. 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.
6. The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact
7. Malus/ clawback clause can be applied for a period of 4 years after the date of grant of Total Variable Pay.

#### **5. APPOINTMENT OF DIRECTORS/KMPs/SENIOR MANAGEMENT**

- a. Enhancing the competencies of the Board and attracting as well as retaining talented employees for the role of KMP/a level below KMP are the basis for the Nomination and Remuneration Committee to select a candidate for appointment to the Board. When recommending a candidate for appointment, the Nomination and Remuneration Committee has regard to:
- assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;
  - the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
  - the skills and experience that the appointee brings to the role of KMP/Senior Management and how an appointee will enhance the skill sets and experience of the Board as a whole;

- the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment;

**b. Personal specifications:**

- Degree holder in relevant disciplines;
- Experience of management in a diverse organization;
- Excellent interpersonal, communication and representational skills;
- Demonstrable leadership skills;
- Commitment to high standards of ethics, personal integrity and probity;
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace;
- Having continuous professional development to refresh knowledge and skills.

**6. FIT AND PROPER CRITERIA.**

The Nomination and Remuneration Committee shall undertake a process of Due Diligence based on the criteria of qualifications, technical expertise, track record, integrity etc. The basic objective of ascertaining the fit and proper criteria shall be to put in place an internal supervisory process on a continuing basis and to determine the suitability of the person for appointment / continuing to hold appointment as a Director on the Board of the Company. The Candidate at the time of appointment and at the time of the renewal of Directorship shall fill in such form as approved by the Nomination and Remuneration Committee to enable the Committee undertake such exercise of ensuring the 'Fit and Proper Criteria'.

**7. CRITERIA FOR INDEPENDENCE** - For Directors to be appointed as Independent Director on Board of the Company.

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director, —

- a. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b. (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;  
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- c. who has or had no pecuniary relationship other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or



such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

d. None of my relatives:

(i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

(ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or

(iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);]

e. who, neither himself nor any of his relatives—

(i) holds or has held the position of a key managerial personnel or is or has been of employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed; (provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.)]

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent or more of the total voting power of the company; or

(iv) is a Chief Executive or Director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

f. who possesses such other qualifications as may be prescribed.

## **8. REMOVAL OF A DIRECTOR, KMP OR SENIOR MANAGEMENT**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and 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.

## **9. REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

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 management. The Directors, Key Management Personnel and other senior management's salary shall be based & determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed statutorily, if any.

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 and government/other guidelines.

## **10. MONITORING AND EVALUATION**

The Nomination and remuneration Committee shall evaluate the performance of the Directors and the overall Board broadly on the basis of below mentioned criteria:

- Whether the Directors / Board have acted in accordance with the provisions of the Articles of Association of the Company.
- The Committee shall assemble all information regarding a candidate's background and qualifications to determine if the candidate possesses or satisfies the minimum skills and qualifications that a director must possess.
- The Committee shall evaluate a candidate's mix of skills and qualifications and determine the contribution the candidate could be expected to make to the overall functioning of the Board.
- The Committee shall give due consideration to the overall Board balance of diversity of perspectives, backgrounds and experiences.

- With respect to current directors, the Committee shall consider past attendance at meetings and assess the participation in and contributions to the activities of the Board. Whether the Directors / Board have acted in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the Community and for the protection of the environment.
- Whether the Director / Board has exercised their duties with due and reasonable care, skill and diligence and whether the Director / Board have exercised independent judgment.
- Whether the Director / Board have been involved in a situation in which he / they may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- The Committee shall recommend the director to the Board based on its assessment of overall suitability to serve on the Board in accordance with this Policy.

## **11. POLICY REVIEW**

In case of any subsequent changes in the provisions of the Companies Act, 2013 or RBI regulation / Circular 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.

This policy shall be reviewed by the Nomination and Remuneration Committee 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 on the policy as recommended by the Committee would be given for approval of the Board of Directors.

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