



ECLF – Nomination and Remuneration Policy

ECL Finance Limited

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1. BACKGROUND

The Nomination & Remuneration Policy (“Policy”) of ECL Finance Limited (“ECLF/Company”) is formulated under the Companies Act, 2013 (“Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (“Listing Regulations”) and other applicable laws (hereinafter referred to as “Relevant laws”).

The Act requires a Company to frame policy for determining the remuneration payable to the Directors, Key Managerial Personnel (KMPs) and other employees. While appointing the Directors, the Nomination and Remuneration Committee, considers qualification, positive attributes, areas of expertise and number of Directorships in other companies and such other factors as it may deem fit. The Board considers the Committee’s recommendation and takes appropriate action.

2. OBJECTIVE

The objectives of this Policy are:

- To formulate the criteria for determining qualifications, competencies, positive attributes, and independence for appointment of a director (Whole-time/non-executive/independent) of the Company (“Director”); and
- To lay down the criteria for remuneration of the Directors, KMP and Senior Management to the Board of Directors of the Company (“Board”).

While formulating the remuneration criteria, the NRC shall ensure:

- i. the level and composition of remuneration is reasonable and sufficient to attract, retain talent required to run the company successfully.
- ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and remuneration to the Directors, KMPs and senior management comprises a balance of fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

3. DEFINITIONS

1. **“Act”** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
2. **“Board”** means the Board of Directors of Edelweiss
3. **“Director”** means a director (excluding Managing Director) appointed on the Board of Edelweiss.
4. **“Key Managerial Personnel”** means Key Managerial Personnel (“KMP”) as per the Companies Act, 2013 and SEBI (Depositories and Participant) Regulations, 2018:

5. The Committee means the Nomination and Remuneration Committee (“NRC”) constituted by the Board.

6. Independent Director means a director referred to in Section 149 (6) of the Companies Act, 2013 and/or as defined under Regulation 16 (b) of the Listing Regulation

4. REMUNERATION DETAILS

I. REMUNERATION OF THE INDEPENDENT DIRECTORS & NON- EXECUTIVE DIRECTORS

According to Section 197 of the Act, except with the approval of the company in general meeting by passing a special resolution, the Company can pay remuneration to its non-executive directors, for an amount upto 1% of the net profit of the Company, Net profit shall be calculated as per section 198 of the Act.

- The Independent Directors & Non-executive Directors are eligible for sitting fees for attending the meetings of the Board and the Committees thereof.
- The Independent Directors & Non-executive Directors are also eligible for commission, subject to limits prescribed under the Act and the Rules framed there under.
- The Independent Directors are not eligible for stock options.
- The Non-executive Directors (other than promoter Directors) shall be eligible for stock options.

II. REMUNERATION OF THE MANAGING DIRECTOR & EXECUTIVE DIRECTORS

- The remuneration of the Managing Director/Executive Directors is recommended by the NRC to the Board. Based on the recommendations of the NRC, the Board determines and approves the remuneration of the Managing Director/Executive Directors, subject to necessary approvals, if any.
- The remuneration paid to the Managing Director/Executive Directors shall be within the limits prescribed under the Act and approved by the shareholders of the Company. The remuneration payable to anyone managing director or whole- time director shall not exceed 5% of the net profits of the company and shall not exceed 10% of the net profits to all such directors and manager taken together.
- The remuneration structure includes fixed salary, perquisites, bonus, other benefits and allowances and contribution to Funds, etc.
- The Executive Directors (other than the promoter Directors) shall be eligible for stock options.
- In addition to above, remuneration of Managing Director & Executive Directors shall also be governed by the Compensation Policy of the Company.

III. REMUNERATION OF THE KMP (OTHER THAN EXECUTIVE DIRECTORS) AND SENIOR MANAGEMENT PERSONNEL (“SMP”)

“Key Managerial Personnel (KMP)” means Key Managerial Personnel as defined under sub-section (51) of Section 2 of the Companies Act, 2013 as under:

- (i) the Chief Executive Officer or the Managing Director or the Manager.
- (ii) the Company Secretary.
- (iii) the Whole-time Director.
- (iv) the Chief Financial Officer.
- (v) such other officer, not more than one level below the Directors who are in whole-time employment, designated as key managerial personnel by the Board: and
- (vi) such other officer as may be prescribed

The key components of remuneration package of the KMP (other than Executive Directors) and SMPs shall comprise of fixed salary, perquisites, annual bonus, other benefits and allowances and contribution to Funds, etc.

They shall be eligible for stock options. In addition to above, remuneration of KMPs and SMPs shall also be governed by the Compensation Policy of the Company.

5. APPOINTMENT OF DIRECTORS, KMP AND OTHER SENIOR MANAGEMENT PERSONNEL

- ECLF shall ensure the Board of Directors should consists of individuals as Directors and have at least three directors at all times with appropriate mix of Non – Executive Directors and Whole Time Directors
- ECLF shall ensure the Board of Directors comprise of at least one-Women Director and at least one Director who has stayed in India for a total period of not less than 182 days in the previous calendar year.
- The Directors of the Company shall be appointed as per the provisions Section 152 of the Act and corresponding rules and the Articles of Association of the Company as amended from time to time.
- The Independent Directors, KMP, and Whole-time directors shall be appointed pursuant to Schedule IV Sec 149, Sec 203, and Sec 196, Sec 152 and corresponding rules of the Companies Act 2013 respectively.
- Every director shall be appointed by the company in general meeting except where the Act provides otherwise.

- 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.
- 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 shall be made in the Board's Report of the Company.

ECLF's Independent Director shall not hold office for more than two consecutive terms. However, they shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director.

The Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

6. QUALIFICATION FOR DIRECTOR CANDIDATURE

One of the Board's most important responsibilities is identifying, evaluating, and selecting candidates for the Board of Directors. The NRC reviews the qualifications of potential director candidate and makes recommendations to the Board. The factors considered by the Committee and the Board in its review of potential candidates include:

- Whether the candidate has exhibited behavior that indicates he or she is committed to the highest ethical standards and our shared responsibilities.
- Whether the candidate has special skills, expertise and background that would complement the attributes of the existing Directors, taking into consideration the diverse communities and geographies in which the Company operates.
- Whether the candidate has the financial expertise required to provide effective oversight of a diversified financial services business that operates on a global scale.
- Whether the candidate has achieved prominence in his or her business, governmental or professional activities, and has built a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make.
- Whether the candidate possesses a willingness to challenge management while working constructively as part of a team in an environment of collegiality and trust.
- Whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director.
- Whether the candidate possesses any disqualifications as prescribed under Section 164 of the Act and corresponding rules, as amended from time to time.

7. CRITERIA FOR INDEPENDENCE OF INDEPENDENCE OF INDEPENDENT DIRECTOR

The Company shall appoint an Independent Director, other than a Managing Director, Whole time Director or Nominee Director, who in the opinion of the Board is a person of integrity and possesses relevant expertise and experience.

Persons having any disqualifications as prescribed under Section 149(6) of the Act, corresponding rules, and Regulation 16(b) of the Listing Regulations, as amended from time to time, shall not be appointed as the independent Director of the Company.

Declaration from Independent Director

Pursuant to Section 149(7) of the Act, every independent director shall give a declaration that he /she meets the criteria of independence as provided above at the below mentioned instances:

- (a) at the first Board meeting in which he/she participates as a director, and
- (b) at the first Board meeting of every financial year, or
- (c) whenever there is any change in the circumstances which may affect his/her status as an independent director.

The Format for Declaration of Independence applicable for independent director has been attached as **Annexure 1** to this Policy.

8. FIT AND PROPER CRITERIA

The Fit and Proper criteria have been drafted in line with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) 2016, as amended from time to time, Annex XIII on undertaking due diligence on the persons before appointing them on the Boards. The board has adopted a fit and proper criterion pursuant to said RBI Master Direction.

(i) ECLF shall ensure that the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis is followed.

(ii) ECLF shall obtain a declaration and undertaking from the directors giving additional information on the directors in the format prescribed in the said Master Direction

(iii) ECLF shall obtain a Deed of Covenant signed by the directors, which shall be in the format. (Refer Annexure)

(iv) ECLF shall furnish to the Bank a quarterly statement on change of directors, and a certificate from the Managing Director of the applicable NBFC that fit and proper criteria in selection of the directors has been followed. The statement must reach the Regional Office of the Department of Supervision of the Bank where ECLF is registered, within 15 days of the close of the respective quarter. The statement submitted by applicable NBFC for the quarter ending March 31, shall be certified by the auditors.

(v) ECLF shall conduct due diligence which shall include verifying track records, qualification, technical expertise etc. at the time of appointment or renewal of the appointment of the director on the Board and a declaration shall be undertaken from the proposed or existing director which shall be scrutinized by the NRC.

(vi) ECLF shall obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.

9. BOARD DIVERSITY

As per Regulation 19 (4) read with Part D of the Schedule II of the SEBI (LODR) Regulations, 2015, the NRC of ELF shall devise Policy on Board Diversity.

The NRC is responsible for reviewing and assessing the composition of the Board, as well as identifying appropriately qualified persons to occupy Board positions.

While all appointments to the Board will continue to be made on merit, the Committee will consider the benefits of diversity in identifying and recommending persons for Board membership, as well as in evaluating the Board and its individual members.

PRINCIPLES OF DIVERSITY:

- ECLF shall ensure there is an appropriate mix of diversity, skills, experience, and expertise required on the Board and assess the extent to which the required skills are represented on the Board,
- ECLF shall not discriminate on the basis of gender in the matter of appointment of directors on the Board.
- ECLF shall encourage the appointment of women at senior executive levels to achieve a balanced representation on the Board.
- ECLF shall promote having a boardroom comprising of people from all ethnic backgrounds so that the directors may efficiently contribute their thorough knowledge of banking, finance, legal, risk management etc. .
- Make recommendations to the Board in relation to appointments, and maintain an appropriate mix of diversity, skills, experience, and expertise on the Board, and
- Periodically review and report to the Board requirements, if any, in relation to diversity on the board
- ECLF may have one director elected by such small shareholders pursuant to Section 151 of the Act.
- ECLF may also have directors on its Board representing the interest of any financial institution or any other person in accordance with the provisions of its articles of association and/or any agreement between the Company and the nominating agency.

ROLES AND RESPONSIBILITY OF NRC COMMITTEE

The Nomination and Remuneration Committee shall undertake the duties as per their Terms of Reference, approved by the Board and any other duties as may be delegated to it from time to time.

Few of the roles & responsibilities of the NRC include:

- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.
- Recommend to the Board their appointment and removal.
- Carry out evaluation of every director's performance.
- Formulate the criteria for determining qualifications, positive attributes, and independence of a director
- The Board Diversity sets out the approach to have a diversity on the Board of ECLF in terms of knowledge, thought, perspective, experience, and gender based on the applicable laws, rules, and regulations.
- The role of the Nomination and Remuneration Committee includes devising this, Policy.

10. DISCLOSURE

The contents of this policy shall be appropriately disclosed in the Board Report in accordance with the requirements of the Companies Act, 2013, and rules framed.

11. POLICY REVIEW

The Policy may be amended as may be necessary.

- The Policy is reviewed annually by the compliance and secretarial team and approved the Board members if any changes.

The NRC shall implement the Policy, and may issue such guidelines, procedures etc. as it may deem fit.

12. ANNEXURE



Declaration of
Independence form.d



Form of Deed of
Covenants with a Dire