

Mizuho Capsave Finance Private Limited Nomination and Remuneration Policy

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1. INTRODUCTION

The Company is a systemically important non-deposit taking non-banking finance company (classified as NBFC-Middle Layer), under extant RBI norms, holding Certificate of Registration bearing No. (B – 13.01702). The Company was incorporated on August 7, 1992 and is a 100% subsidiary of “Mizuho RA Leasing Private Limited” , (formerly known as Rent Alpha Private Limited) with effect from June 15, 2016.

The Company’s primary business is advancing leasing facility, working capital financing, term loan financing and factoring. Range of equipment leased/financed includes IT, Plant C Machinery, Furniture C Fit Outs, etc.

The Board of Directors (“Board”) of the Company has constituted the Nomination and Remuneration Committee (NRC) in accordance with the provisions of the Companies Act, 2013 and adopted the Nomination and Remuneration Policy (“NRC Policy”) in compliance with the Companies Act, 2013 and pursuant to the Master Direction- Reserve Bank of India (Non-Banking Financial Company-Scale Based Regulation) Directions, 2023.

In order to comply with these requirements and as a good Corporate Governance practice, this policy is approved and adopted as per version control updated on page number 1, for implementation by the Board of Directors (the “Board”) of the Company.

2. OBJECTIVES

The Key Objectives of the Nomination and Remuneration Committee (NRC) shall be:

- To guide the Board in relation to the appointment and removal of Directors, Key Managerial Personnel (KMPs) and members of Senior Management (SMPs).
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation by the Board.
- To recommend to the Board on remuneration payable to the Directors, Key Managerial Personnel and members of Senior Management (SMPs).
- To provide Key Managerial Personnel and members of Senior Management rewards linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial people and create competitive advantage.

3. APPLICABILITY:

- a) Directors (Executive and Non-Executive)
- b) Key Managerial Personnel (CEO, CFO and Company Secretary)
- c) Members of Senior Management (All Business and Functional Heads),

4. ROLE OF NOMINATION AND REMUNERATION COMMITTEE:

4.1. Matters to be dealt with, perused, and recommended to the Board by the NRC

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.

- Identify people who are qualified to become Directors and people who may be appointed in Key Managerial and members of Senior Management in accordance with the criterion laid down in this Policy.
- Recommend to the Board, appointment including the terms and removal of Directors, KMPs, and Senior Management Personnel.
- Ensure that the people proposed to be appointed on the Board do not suffer any disqualifications for being appointed as a director under the Companies Act, 2013.
- Ensure that the proposed appointees have given their consent in writing to the Company.
- Ensure that the proposed candidates meet the “Fit and Proper Criteria” as provided in the “Master Direction – Reserve Bank of India (Non-Banking Financial Company- Scale Based Regulation) Directions 2023 ” or any amendments thereof from time to time.

4.2. Policy for appointments and removal of Directors, KMPs and Senior Management Personnel (SMPs)

4.2.1. Appointment criteria and qualifications

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as a Director with the objective of having a Board with diverse background and experience in business, education and public service and recommend to the Board his/her appointment.
- Attributes expected of all Directors include independence, high personal and professional ethics, sound business judgment, ability to participate constructively in deliberations and willingness to exercise authority in a collective manner.
- Appointment of Independent Directors is subject to the provisions of Section 149 of the Companies Act read with Schedule IV and rules thereunder and other applicable rules and regulations. The NRC shall check that the proposed person satisfies the criteria of independence as stipulated under Section 149(6) of the Act before his/her appointment as an Independent Director. No person shall be appointed as a Director if he/she is subject to any disqualifications as stipulated under the Companies Act or any other law(s) for the time being in force.
- A person shall possess adequate qualification, expertise and experience for the position he/she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position. In evaluating the suitability of individual Board members, the Committee considers many factors, including general understanding of marketing, finance, operations, management, public policy, legal, governance and other disciplines.
- The Board evaluates each individual in the context of the Board as a whole, with the objective of having a group that can best perpetuate the success of the Company's business and represent stakeholders' interests through the exercise of sound judgment, using its diversity of experience.
- The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed

to the notice for such a motion indicating the justification for extension of appointment beyond seventy years. No re-appointment of a Whole-time Director shall be made earlier than one year before the expiry of the current term.

- In determining whether to recommend a Director for re-election, the Committee shall consider the Director's past attendance at meetings, participation in meetings and contributions to the activities of the Board.

4.2.2. Term / Tenure

a) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Managing Director or Executive/Whole-time Director for a term not exceeding five years at a time. As mentioned above, no re-appointment shall be made earlier than one year before the expiry of the current term. The provision is currently not applicable to the company, being a private limited company.

b) 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 the Independent Director and subsequently it shall be ensured that the number of Boards on which such Independent Director serves as an Independent Director is restricted to not more than three NBFCs (NBFCs-Middle Layer or NBFCs-Upper Layer) at the same time. A timeline of two years is provided with effect from October 01, 2022, to ensure compliance with these norms. There shall be no restriction to directorship on the Boards of NBFCs Base Layer, subject to provisions of Companies Act, 2013.

4.2.3. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMPs and Senior Management Personnel at regular interval (Yearly).

A. Non-Executive Directors/ Independent Directors:

The NRC shall carry out an evaluation of the performance of Non-Executive Directors/ Independent Directors every year ending March 31 based on the following criteria:

1. Number of the Board/ Committee meetings attended
2. Contribution during the Meetings
3. Informal Interaction with Management
4. Active Participation in strategic decision making
5. Inputs to executive management on matters of strategic importance

B. Executive Directors

The Committee shall carry out the evaluation of every Executive/Whole-time Director, on a yearly basis on their performance.

C. KMPs/Senior Management (SMPs)

- The Human Resource ("HR") Department shall carry out the evaluation of the KMPs/Senior Management (SMPs) every year ending March 31, with the Department Head(s)/ Management concerned.
- Key Responsibility Areas ("KRAs") shall be identified well in advance. Performance benchmarks shall be set, and evaluation of employees shall be done by the respective reporting Manager(s)/ Management to determine whether the set performance benchmarks are achieved.
- The payment of remuneration/annual increment to the aforementioned persons shall be determined after the satisfactory completion of the evaluation process
 1. Key Managerial Personnel – NRC
 2. Senior Management Personnel – NRC
- The HR Department of the Company is authorized to design the framework for evaluating the Executive Directors/KMPs/Senior Management Personnel.
- The objective of carrying out an evaluation by the Company shall be to identify and reward those with exceptional performance during any financial year. Training and Development Orientation programs on a need basis shall be provided to employees, whose performance during any financial year does not meet the benchmark criteria.

4.2.4. Removal

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

4.2.5. Retirement

The Director, KMPs and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board shall have the discretion to retain the Director, KMPs, and Senior Management Personnel in the same position/ remuneration or otherwise even after attaining retirement age, for the benefit of the Company.

4.3. Policy relating to the Remuneration for the Key Managerial Personnel (KMP) and members of Senior Management (SMPs)**4.3.1. General:**

- a) NRC while determining the criteria for remuneration for KMPs and Senior Management ensures that:
- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate personnel of the quality required to run the Company successfully; the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - Remuneration to, KMPs and Senior Management involves a balance between Fixed Pay, Variable Pay and Incentive reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
 - Deferral of the Variable Pay component will be based on the principles of sensitiveness to the time horizon of risks. The Variable Pay component as enumerated in para 4.3.2 below, will be further subjected to Malus arrangement as defined herein below.

- b) The remuneration/compensation/commission etc. to the Executive Directors, KMPs and Senior Management Personnel will be as per the matrix defined above (refer clause 4.3.1) and approved by the shareholder(s) and Central Government, wherever required.
- c) The remuneration and commission to be paid to the Executive Directors/Whole-time Directors shall be in accordance with the percentage / slabs/ conditions laid down as per the provisions of the Companies Act, 2013.
- d) Where any insurance is taken by the Company on behalf of its Whole-time Directors, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary 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 a person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

4.3.2. Remuneration to, KMPs and Senior Management Personnel:

Fixed, Variable and Incentive pay:

The KMP and Senior Management Personnel shall be eligible for monthly remuneration as approved by the NRC/Board, as the case may be. The break-up of the pay (Fixed, Variable and Incentive Pay) and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the NRC/Board/the Person authorized by the NRC/Board and approved by the shareholder and Central Government, wherever required.

Minimum Remuneration:

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 and if it is not able to comply with such provisions, with the approval of the Central Government.

Compensation for Risk Control and Compliance Function:

To ensure a robust Risk Management and Control Mechanism, it is intended that KMPs and Senior Management engaged in financial control, risk management, compliance and internal audit are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the company. Accordingly, the company shall ensure that the mix of fixed to variable compensation for control functions is weighed in favor of fixed compensation and in line with the RBI guidelines for NBFCs.

Deferral of Variable Pay:

For KMPs and members of Senior Management (SMPs), variable pay may be deferred as recommended by the Committee and as approved by the Board of the company. In the event of the separation of an employee on good terms with the company, the Committee shall have the absolute discretion to pay part or whole of the deferred pay.

Role	Year of Performance (Y)	Y +1	Y +2
Chief Financial Officer	70%	20%	10%
Head – Credit C Risk	70%	20%	10%
Company Secretary	80%	10%	10%
Chief Compliance Officer	80%	10%	10%
Business Head – WCF	80%	10%	10%
Head – Legal	80%	10%	10%
Head – Operations C Technology	80%	10%	10%

Guaranteed Bonus:

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

Malus:

Malus arrangement permits the Company to prevent vesting of all, or part of the variable pay which has been deferred. It does not reverse vesting after it has already occurred.

Malus provisions shall apply regardless of whether the employee is in the employment of the Company or has separated.

A. Framework to invoke Malus**Relevant factors to be considered:**

1. Deterioration in financial performance in the form of drop in the Profit After Tax (PAT) from one financial year to the next by 35% or more at the Company level (consolidated), provided that such deterioration as evaluated by the NRC, is not on account of changes in regulations, force majeure, market conditions, industry performance, economic, social or other conditions outside the control of the Company or any person. Any material gains/losses from one-time transactions that are not in ordinary course of business would not be included while computing movement in PAT for this purpose.
2. Material failure in risk management controls or material losses due to negligent risk-taking which are attributable to the employee, whether directly or indirectly.
3. Wilful misrepresentation / misreporting of information about the Company.
4. Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
5. 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.
6. Material non-compliance of all regulatory guidelines
7. Material breach of Code of Conduct, regulatory requirements, Company's policies or such other instance for which the NRC, in its discretion, deems it necessary to apply malus or / and provisions.

In deciding to apply malus, the NRC, in its evaluation, shall consider the principles of proportionality and of reasonable nexus between matters of ability, capability and expertise of the individual/s versus matters or events outside the control or even nexus of the individual/s to the events or situations.

B. Guidelines for Implementation:

1. This Policy will be binding on all KMPs and Senior Management covered under the purview of this Policy and terms of their compensation shall automatically stand revised in accordance with this Policy as amended from time to time.
2. The NRC shall review the incident/act of misconduct to ascertain the degree of accountability attributable to the concerned employee and may decide to apply malus on none, part or all the unvested/unpaid deferred variable compensation based on the outcome of the evaluation.
3. The provision relating to malus would entail forfeiture of full or part of the unvested/unpaid part of the deferred variable pay, attributable to a given reference year wherein the incident has occurred.

4.3.3. Remuneration to Non- Executive / Independent Director:

- Overall remuneration shall be reflective of the size of the Company, complexity of the sector/industry/company's operations and the Company's capacity to pay the remuneration.
- Independent Directors ("ID") and Non-Independent Non-Executive Directors ("NED") may be paid sitting fees (for attending the meetings of the Board and the committees of which they may be members) and commission within the regulatory limits. Quantum of sitting fees may be subject to review on a periodic basis, as required.
- Within the parameters prescribed by law, the payment of sitting fees and commission shall be recommended by the NRC and approved by the Board.

Overall remuneration (sitting fees and commission) shall be reasonable and sufficient to attract, retain and motivate Directors aligned to the requirements of the Company (taking into consideration the challenges faced by the Company and its future growth imperatives). Provided that the amount of such fees shall be subject to ceiling/limits as provided under Companies Act, 2013 and rules thereunder or any other enactment for the time being in force

- Overall remuneration practices shall be consistent with recognized best practices.
- In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/Board committee meetings, general meetings, court convened meetings, meetings with shareholders/creditors/ management, site visits, Client Visits, induction and training (organized by the Company for Directors) and in obtaining professional advice from independent advisors in the furtherance of his/her duties as a director.

5. REVIEW OF THE POLICY

This Policy will be reviewed periodically, at least on an annual basis, based on the emerging environment.