

GODREJ FINANCE LIMITED

Nomination & Remuneration Policy

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Introduction

Pursuant to Section 178 of the Companies Act, 2013 (the "Act") and the Rules framed thereunder (as amended from time to time), the Board of Directors of every listed public Company and such other classes of companies as prescribed under the Act are required to constitute a Nomination and Remuneration Committee ("NRC") and NRC to formulate criteria for determining qualifications, positive attributes, and independence of a director and formulate a policy relating to remuneration for the Directors, Key Managerial Personnel ("KMP") and other employees of the Company and recommend the same for approval of the Board

Regulation 62G read with Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") require the Board of Directors of the Company to constitute a NRC.

Further, Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions, 2025 read with other applicable regulations or circulars, as updated from time to time, ("RBI Directions"), requires every Non-Banking Financial Companies ("NBFC") to constitute NRC and formulate a Board approved compensation policy..

Further, Section 134 of the Act stipulates that the Board Report shall include company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and remuneration for Directors, KMP and other employees.

Scope & Application

The Policy is applicable for appointment, terms of appointment (including remuneration), evaluation, continuation of appointment and review of employment terms of:

- Directors viz. Executive, Non-Executive including Independent,
- KMP,
- Senior Management

Purpose

The key objectives of the Policy are as follows:

- To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive/Non-Executive) and recommend to the Board of Directors of the Company (the "Board"), policies relating to the remuneration (payable in whatever form) to the Directors, KMP, senior management and other employees,
- To ensure that the Directors meet the "Fit & Proper" criteria at the time of appointment and on a continuing basis,
- To guide the Company in relation to appointment, removal of Directors & KMPs of the Company,
- To ensure that remuneration to Directors, KMPs & Senior Management 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,
- To ensure that level and composition of remuneration is reasonable and sufficient to retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage,
- To carry out evaluation of the performance of Directors, KMPs, Senior Management and to provide for reward(s) directly linked to their effort, performance, dedication and achievement relating to the Company's operations,
- To devise a policy on diversity of Board of Directors,

- To develop a succession plan for the Board and Senior Management and to regularly review the plan,
- To perform such other functions as may be necessary or appropriate for the performance of its duties and mandated by the Board from time to time.

Definitions

- “Act” means the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.
- “Board” means the Board of Directors of the Company as defined under the Act/ Listing Regulations.
- “Committee” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board. In the absence of the Committee, the reference of Committee in the Policy would mean the Board.
- “Company” means Godrej Finance Limited.
- “Deferred Compensation” shall mean equity shares or ESOP (Employee Stock Option Plan) which vest over a period of time subject to terms of their issuance.
- “Directors” shall mean Directors of the Company.
- “Independent Director” means a director referred to in Section 149 (6) of the Act and Listing regulations.
- “Key Managerial Personnel” or “KMP” means in relation to a Company as defined under sub-section 51 of Section 2 of the Act, means and includes:
 - Chief Executive Officer or the Managing Director or the manager;
 - Company Secretary;
 - Whole-Time Director;
 - Chief Financial Officer;
 - 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
 - such other officer as may be prescribed
- “Listing Regulations” means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- “Member” means a Director of the Company appointed as member of the NRC.
- “Nomination & Remuneration Policy” is the Compensation Policy as is referred to in various extant guidelines.
- “RBI Directions” means Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions, 2015 dated November 28, 2015 read with other applicable regulation or circular as amended from time to time.
- “Senior Management” shall mean the officers and personnel of the Company who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as Key Managerial Personnel, other than the Board of Directors.

The NRC shall have the right to designate a person as Senior Management Personnel.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act, Listing Regulations and/or RBI Directions, shall have the meaning respectively assigned to them therein.

Appointment and removal of Directors, KMPs and Senior Management

Appointment criteria and qualifications:

- The NRC shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management and recommend to the Board his/her appointment, as per the Company's Policy.
- A person should possess adequate qualification, expertise and experience for the position he/she is considered for appointment. The NRC has the discretion to decide whether qualifications, expertise and experience possessed by a person is sufficient/satisfactory for the concerned position.
- The Directors for the Company must meet the fit & proper criteria at the time of appointment and on continuing basis.
- The NRC should ensure that he/she is eligible to hold office of Director KMP or Senior Management under the provisions of the Act, Listing Regulations, RBI Directions and the applicable policies of the Company.
- NRC shall ensure that there is no conflict of interest in appointment of Director, KMP and Senior Management.
- The Company shall not recommend or appoint or continue the employment of any person as the Managing Director, Whole-time director or Manager within the meaning of the Act, who has attained the age of 60 (sixty) years. Provided that the appointment of such a person who has attained the age of 60 (sixty) years shall be made with the approval of the Shareholders by passing a special resolution, based on the explanatory statement annexed to the notice for the Meeting of the Shareholders for such motion indicating the justification for appointment or extension of appointment beyond the age of 60 (sixty) years.
- The Company shall not appoint a person or continue the directorship of any person as a non-executive director who has attained the age of 75 (seventy-five) years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person. The Company shall ensure the approval of shareholders by way of special resolution at the time of appointment or re-appointment or any time prior to the non-executive director attaining the age of seventy-five years.
- The Company shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.
- The continuation of a director serving on the Board of a Company shall be subject to the approval by the shareholders in a general meeting at least once in every five years from the date of their appointment or reappointment. This requirement shall not be applicable to the Whole-Time Director, Managing Director, Manager, Independent Director or a Director retiring as per the sub-section (6) of section 152 of the Act, if the approval of the shareholders for the reappointment or continuation of the aforesaid directors or Manager is otherwise provided for by the provisions of the Act or Listing Regulations and has been complied with.

Term/Tenure

The Company shall appoint or re-appoint any person as its Executive Chairperson, Managing Director, Executive/ Whole-time Director or Manager for a term not exceeding 5 (five) years at a time. No re- appointment shall be made earlier than 1 (one) year before the expiry of term.

Independent Director:

- Appointment/re-appointment of Independent Directors shall be specifically subject to the provisions of Section 149 of the Act read with schedule IV and rules thereunder and Listing Regulations, as the case may be. Before appointment as an Independent Director, the Committee shall satisfy itself that the proposed person satisfies the criteria of independence as stipulated under Section 149(6) of the Act and Listing Regulations. For every appointment of an Independent Director, the NRC shall evaluate the skills, knowledge and experience and on the basis of such an evaluation, prepare a description of the role and capabilities required of an

Independent Director, if required. The person recommended to the Board for appointment as an Independent Director shall have the capabilities as identified. For the purpose of identifying suitable candidates, the NRC 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.
- An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board 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 3 (three) years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of 3 (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(s) it should be ensured that he/she shall not hold office as a director, including any alternate directorship, as per the maximum threshold limits prescribed under the Act and Listing Regulations.
 - Independent Director shall also comply with permissible limits as required under RBI Directions.

Removal and Resignation

Due to reasons for any disqualification mentioned under the Act/Listing Regulations/RBI Directions or any other applicable laws, rules and regulations, thereunder, the NRC may recommend, to the Board with reasons to be recorded in writing, removal of a Director, KMP or Senior Management, subject to the provisions and compliance of the said Act/ Listing Regulations/ RBI Directions, such other applicable law, rules and regulations and the policy of the Company.

Retirement

The Directors, KMP and Senior Management shall retire as per the applicable provisions of the Act/ Listing Regulations/ RBI Directions or any other applicable laws, rules and regulations, thereunder and the prevailing HR policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to compliance of all applicable laws.

Evaluation

The NRC shall carry out evaluation of performance of Board, its Committees, Director, KMP and Senior Management on an annual basis or at such regular intervals as may be considered necessary.

The evaluation of Independent Directors shall be done by the entire Board which shall include:

- performance of the Independent Directors; and
- fulfillment of the independence criteria as specified in the Act/ Listing Regulations and their Independence from the management:

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

Performance evaluation of Senior Management /KMPs to be carried out as per the HR policy of the Company on an annual basis.

Policy relating to the Remuneration for the Managerial Personnel, KMP and Senior Management

- The compensation of KMP and senior management shall be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices.
- The compensation packages shall 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.
- All the fixed items of compensation, including the perquisites and contributions towards /retiral benefits, shall be treated as part of fixed pay. In event there are perquisites that are reimbursable then they shall also be included in the fixed pay so long as there are monetary ceilings on these reimbursements.
- Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) shall also be part of fixed pay.
- The variable pay shall be a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.
- The proportion of variable pay in total compensation shall be commensurate with the role and prudent risk-taking profile of KMPs/senior management. At higher levels of responsibility, the proportion of variable pay shall be higher.
- There shall be proper balance between cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments.
- The variable pay shall be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and company-wide level. In order to do so, performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.
- Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the Board of the Company, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement shall be decided by the Board of the Company.
- The company shall have a 3-tiered compensation for its senior executives viz. (a) Fixed cash component, (b) Variable cash component and (c) share linked compensation. Of these the share-linked compensation is completely deferred and accrues over a period of time.
- Further, even for cash variable component – the overall payout is capped through a cap on business index, with same-year payout capped at a lower cap. Any quantum above the cap for same year payout equally over subsequent 2 years.
- The fixed and annual cash variable mix shall be up to 70:30 at target, subject to a minimum ratio of 90:10. Actual variable pay can differ (both higher or lower) based on actual individual and company performance. The share of cash variable pay will be generally higher at more senior levels of management
- 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. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation shall be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.
- Guaranteed bonus may not be paid to KMPs and senior management. However, in the context of new hiring, joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

- The deferred compensation may be subject to malus /clawback arrangements in the event of Code of Conduct issue in any year. A representative set of situations may be identified by Company, which require them to invoke the malus and clawback clauses that may be applicable on entire variable pay. While setting criteria for the application of malus and clawback, Company may also specify a period during which malus and/or clawback can be applied, covering at least the deferral and retention periods
- The remuneration / compensation / commission to the Whole-time Director, KMP and Senior Management will be determined by the NRC and recommended to the Board for approval. The remuneration / compensation / commission shall be subject to the approval of the Shareholders of the Company, wherever required.
- The remuneration and commission to be paid to the Managerial Personnel, KMP and Senior Management shall be in accordance with the conditions laid down under the Act / RBI Directions or any other applicable laws, rules and regulations, thereunder.
- Increments to the existing remuneration/ compensation structure of Managerial Personnel, KMP and Senior Management shall be recommended by the NRC to the Board which should be within the limits approved by the Shareholders or as laid down under the Act / RBI Directions or any other applicable laws, rules and regulations, thereunder.
- Relevant factors to be considered for invoking malus / clawback:
 - a) Deterioration in financial performance in the form of drop in the Profit After Tax (PAT) from one financial year to the next by 20% 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.
 - b) Material failure in risk management controls or material losses due to negligent risk-taking which are attributable to the employee. Material loss will be deemed as any booked loss which is more than 2% of the total asset size of the company. In event of any such loss, the internal audit team in partnership with HR team will review whether this loss is due to normal business practices and could have occurred despite prudent business practices or it could be attributed to any failure on part of an employee.
 - c) Willful misrepresentation / misreporting of information about the Company.
 - d) Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
 - e) Commission of felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity, gross or willful insubordination, or any other act detrimental to the interest of the Company.
 - f) 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 clawback provisions.

In deciding to apply malus/clawback, the NRC, in its evaluation, shall take into account the principles of proportionality and of reasonable nexus between matters of ability, capability and expertise of the individual/ versus matters or events outside the control or even nexus of the individual/s to the events or situations. The malus / claw-back can be applied to two years past to the year in which it is being invoked. For instance, if malus / claw-back clause is being invoked in FY 2025-26, then it can be applied for a period from FY 2023-24 onwards.

Remuneration to Non- Executive / Independent Director

The remuneration / commission to be paid to Non-Executive / Independent Directors shall be in accordance with the statutory provisions of the Act/ Listing Regulations/ RBI Directions. The Non-Executive / Independent Director may receive remuneration by way of sitting fees for attending meetings of the Board or Committees thereof. Provided that the amount of such sitting fees shall not exceed the maximum amount as provided in the Act, per meeting of the Board or Committees or such amount as may be prescribed by the regulatory authorities from time to time.

All fees or compensation (excluding sitting fees paid to Non-Executive Directors within limits prescribed under the Act) paid to Non-Executive Directors, including Independent Directors shall be approved by shareholders in general meeting.

The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single Non-Executive Director exceeds fifty per cent of the total annual remuneration payable to all Non-Executive Directors.

Remuneration to other employees of the Company

The remuneration to be paid to other employees of the Company shall be in accordance with the HR policy of the Company.

Disclosures

Following disclosure of the Policy shall be made:

- On website of Company where the Policy shall be displayed as per regulatory directions,
- In the Directors Report

Governance Framework

Board of Directors

- To consider and approve Nomination & Remuneration policy
- To consider and recommend the appointment of Directors to the Shareholders
- To consider and approve the appointment of KMPs and Senior Management
- To consider and recommend the remuneration including the increments of KMPs,
- To consider and approve remuneration including increments of for Directors & KMPs to shareholders, where required,
- To consider and note the minutes of the NRC meeting

Nomination and Remuneration Committee

- To consider and recommend Nomination & Remuneration policy to the Board for its approval,
- To consider and recommend the appointment of Directors, KMP and Senior Management to the Board of Directors for its approval,
- To consider and recommend the remuneration including the increments of KMPs,
- To scrutinize the fit & proper declarations received from proposed/existing directors to ensure 'fit and proper' status decide on acceptance, otherwise of the Director,
- To ensure that there is no conflict of interest in the appointment of directors and their independence is not subject to potential threats.
- All other matters as required under Scale Based Regulations and incidental to policy

The Governance framework mentioned herein shall be read along with terms of reference / Charter of Board / Committees approved by the Board of Directors. In case of any conflict, the Terms of Reference / Charter approved by Board shall prevail.

Review, Modification & Changes

- There shall be an annual review of the Policy by the Board of Directors.
- The Board of Directors can at any time modify or amend, either the whole or any part of Policy, within the regulatory framework.

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