

NOMINATION AND REMUNERATION

COMMITTEE CHARTER

OF

SAKTHI FINANCE LIMITED

**(As adopted by Board on 10th August 2016 and Modified by the Board on
29th March 2019)**

1. PREFACE

- 1.1. Sakthi Finance Limited or the Company ("SFL" or "the Company") believes in the conduct of its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty and integrity.
- 1.2. As required under Section 178 of the Companies Act 2013 and Regulation 19(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("Listing Regulations"), the company has constituted a Nomination and Remuneration Committee (NRC). One of the roles of NRC is that to identify and select persons who are qualified to become directors and recommend their appointment to the Board, it is desirable that the terms of reference of NRC reduced to writing.
- 1.3. Accordingly, a Nomination and Remuneration Committee Charter with Remuneration Policy ("NRC Charter") has been formulated with a view to provide the scope for the NRC to deal with the matters which are prescribed under the applicable provisions of the Companies Act 2013, the Rules framed under the Act and the Listing Agreement with regard to the appointment and remuneration to the Directors
- 1.4. The NRC Charter, if so required under the applicable law or under the Listing Agreement shall be posted on the Company's website at www.sakthifinance.com.

2. PRIMARY OBJECTIVES

- 2.1. The Nomination and Remuneration Committee is constituted by, and accountable to, the Board of Directors (or the 'Board') of Sakthi Finance Limited ('SFL' or 'the Company').
- 2.2. Its primary objectives are to:
 - 2.2.1 periodically examine the structure, composition and functioning of the Board, and recommend changes, as may be necessary, to improve the Board's effectiveness;
 - 2.2.2 identify persons who are qualified to become directors and who may be appointed in senior management cadre in accordance with the criteria laid down and recommend to the Board their appointment and removal;
 - 2.2.3 formulate the criteria for determining qualifications, positive attributes and independence of a director and

- recommend to the Board a policy relating to the remuneration of the Directors, key managerial personnel and other employees;
- 2.2.4 formulate the criteria for evaluation of Independent Directors and recommend to the Board; and
- 2.2.5 devise a policy on Board diversity.

3. CONSTITUTION

The NRC shall consist of three or more non-executive directors out of which not less than one half shall be independent Directors. The Chairman of the Committee shall be an Independent Director.

4. SECRETARY

The Company Secretary shall act as Secretary to the Committee.

5. QUORUM

The quorum necessary for transacting business at a meeting of the NRC shall be two members or one-third of the members of the NRC, whichever is higher, **including at least one Independent Director.**

6. MEETINGS

The Committee will meet **at least once in a financial year.**

7. AUTHORITY

The Committee shall have free access to management and management information. The Committee, at its sole authority, may seek the advice of outside experts or consultants at the company's expense, where judged necessary, to discharge its duties and responsibilities.

8. SPECIFIC RESPONSIBILITIES

- 8.1 Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down;
- 8.2 Recommend to the Board their appointment and removal;
- 8.3 Carry out evaluation of Independent Director's performance;
- 8.4 Formulate the criteria for determining qualifications, positive attributes and independence of a Director;

- 8.5 Recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel (KMP) and other employees and to ensure the following:
- 8.5.1 the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully
 - 8.5.2 relationship of remuneration to performance is clear and meets the appropriate benchmarks; and
 - 8.5.3 remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting the short and long term performance.
- 8.6 Review and recommend the compensation and variable pay for Executive Directors to the Board;
- 8.7 Perform such other activities related to this Charter as requested by the Board of Directors.

9. EVALUATION

- 9.1. The Evaluation will be done internally by the Company through Board, NRC, Independent Directors as per the Requirements of the Companies Act/ Listing Regulations in Terms of the above Criteria given by SEBI in the form of questionnaire for the purpose.**
- 9.2. The Evaluation of Independent Directors shall be done by the entire Board of Directors which shall include (A) Performance of the Directors; and B) fulfilment of the Independence criteria as specified in the Listing Regulations and their Independence from the Management**
- 9.3. Recommend to the Board all Remuneration, in whatever form, payable to Senior Management**

10. REPORTING

The policy of NRC shall be disclosed in the Board's Report **and in the website of the Company.**

11. PRESENCE AT THE ANNUAL GENERAL MEETING

The Chairman of the NRC or any member of the NRC authorised by the Chairman of NRC be present at the Annual general Meeting to answer the shareholder's queries.

12. REVIEW OF NOMINATION AND REMINERATION COMMITTEE CHARTER

The NRC Charter shall be reviewed and reassessed by the Committee at such intervals as the Committee deems appropriate and recommendations, if any, shall be made to the Board to update it from time to time.

NR Policy on Remuneration

The Remuneration policy of the Company is in consonance with the industry practices and aims to attract, retain, develop and motivate a high performance workforce. The policy ensures equality, fairness and consistency in rewarding the employees on the basis of performance. The details of Policy on remuneration for Directors, Key Managerial Personnel and other employees of the Company is given below.

"In order to identify, attract, retain and motivate competent persons, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company, the Board of Directors of the Company, as recommended by the Nomination and Remuneration Committee (NR Committee), has adopted a charter on appointment and remuneration as enumerated in Section 178 of the companies Act 2013 on 9th August 2014. The policy provides a framework for remuneration to the members of the Board of Directors, Key Managerial Personnel (KMP) and other employees of the Company.

A. Criteria for selection / appointment of and Remuneration to Non-Executive Directors:

i. Criteria of selection

a. The Non-Executive Directors shall be persons of integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of finance, banking, accounts, taxation and general management.

b. In the case of Independent Directors, that the candidate, in addition to the requirements under (a) above, should satisfy the criteria of independence as stipulated in the Companies Act 2013 and the Listing Regulations.

c. The Nomination and Remuneration Committee while recommending a candidate for appointment as a Director, shall consider and get itself satisfied about:

2 the candidate is qualified for appointment under Section 164 of the Companies Act 2013.

3 Attributes / criteria regarding qualification and experience in relevant field

4 Personal, Professional or business standing

5 Requirement with respect to Board's diversity

d. In the case of reappointment, the performance evaluation of the Director and his level of participation will be considered.

ii. Remuneration to Non-Executive Directors

The Non-Executive Directors are entitled to receive remuneration by way of sitting fees for each meeting of the Board or Committee of Board attended by them of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014. They are also entitled for reimbursement of expenses in connection with participation in the Board / Committee Meetings.

The Independent Directors of the Company are not entitled for Stock Option Scheme of the Company, if any.

B. Criteria for Selection / appointment of and Remuneration to Executive Directors

i. Criteria for Selection / appointment

The NR Committee shall identify persons of integrity having relevant experience, expertise and leadership quality for appointment for the position of Executive Director viz. Managing Director etc. The NR Committee shall ensure that the identified persons also fulfill the conditions like age limit under the Companies Act 2013 and other applicable laws, if any.

ii. Remuneration

The Managing Director will be paid such remuneration and perquisites as may be mutually agreed upon at the time of appointment or re-appointment between the Company and the Managing Director, taking into consideration the profitability of the Company and the overall limits prescribed under the Companies Act 2013.

The remuneration of Managing Director of the Company consists of fixed remuneration and variable portion by way of commission not exceeding 5% of the net profit calculated in accordance with the Companies Act 2013.

C. Criteria for selection/appointment of and Remuneration to Senior Management Personnel:

Based on the criticality of the role and responsibility of the Key Managerial Personnel (KMP), the NR Committee decides on the required qualifications, experience and attributes for the position and on the remuneration based on the industry benchmark and the current compensation trend in the market. The remuneration consists of fixed components like salaries, perquisites and a variable component comprising annual bonus, if declared. Based on the selection criteria laid as above and remuneration, the Committee identifies persons and recommends to the Board for consideration and appointment.

In respect of Senior Management Employees, the NR Committee will recommend to the Board, all remuneration, in whatever form, payable to them for its approval.

Senior Management Means Officers / Personnel of the Company who are members of its core Management Team excluding Board of Directors comprising members of Management, one level below the Chief Executive Officer/ Managing Director, including Company Secretary, Chief Financial Officer and the functional heads.

Annual increments are given on time scale basis and further increase to deserving employees based on the performance review.

Modified by the Board of Directors at their meeting held on 29th March 2019