



Dar Credit & Capital Ltd.
...we make life simple

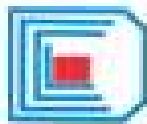
COMPENSATION POLICY FOR KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT STAFF

Dar Credit & Capital Limited

POLICY STATEMENT AND PURPOSE

CIN: U65999WB1994PLC064438

Regd. Office: Business Tower, 206 AJC Bose Road 6th Floor, Unit No. 6B
Kolkata – 700017; Phone: 033 40646495



COMPENSATION POLICY FOR KMP AND SENIOR MANAGEMENT

The Reserve Bank of India (RBI) has issued **Guidelines** under Master Directions of Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, RBI/DoR/2023-24/105 DoR.FIN.REC.No.45/03.10.119/2023-24 dated 10 November 2023. on Compensation of Key Managerial Personnel (KMP) and Senior Management (SM) in NBFCs dated 10 November 2023 (Guidelines). Dar Credit & Capital Limited (DCCL), being a Non systemically non-deposit taking NBFC, more specifically categorized as NBFC-Base Layer, has in place a remuneration framework which defines its formal compensation philosophy to build a high-performance culture and one that drives long term commitment to its vision and goals.

In view of the Guidelines, this Policy has been framed to provide a framework to govern compensation of KMPs and Senior Management and shall apply to them in addition to the existing remuneration framework. This Policy shall supersede and prevail in all circumstances in terms of remuneration of KMPs and Senior Management for DCCL and is effective from 01st April 2024.

This Policy will be reviewed and updated from time to time. All updates and revisions to the Policy will be approved by the Board of Directors (Board) of the Company or its delegated **Nomination and Remuneration Committee** (henceforth referred to as NRC). All such amendments to the Policy shall be recorded in the “Document Change Control” section.

Scope

1.1. Objectives

The objective of this Policy is as follows:

- a) to ensure that the compensation practices are within the regulatory framework stipulated from time to time by RBI or any other relevant regulatory body.
- b) to ensure effective governance of compensation and alignment of compensation practices with prudent risk taking.

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1.2. Coverage

This Policy is applicable to:

- a) Key Managerial Personnel
 - Chief Executive Director or the Managing Director or the Manager;
 - Company Secretary;
 - Whole time director
 - Chief Financial Officer
 - such other officer(s), not more than one level below the Directors who is in whole-time employment, designated as KMP by the Board and
 - such other officer as may be prescribed
- b) Senior Management Personnel:
 - As per Section 178 of the Companies Act (2013), personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Executive Director, including the functional heads.

Governance Structure for Compensation

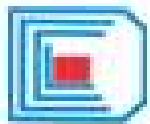
1.3. The Nomination and Remuneration Committee (NRC)

In accordance with the RBI Guidelines, the NRC shall:

- a) actively oversee the framing, review and implementation of compensation policy to ensure that the mechanism operates as intended and is also consistent with the principles outlined by the RBI.
- b) work in close coordination with Risk Management Committee of the Company to achieve effective alignment between compensation and prudent risk-taking
- c) ensure that compensation packages/levels are supported by need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).
- d) ensure “fit and proper” status of existing/ proposed Directors and that there is no conflict of

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interest in appointment of directors on Board of the Company, KMPs and senior management.

- e) review the criteria for Malus and Clawback periodically or as deemed necessary.
- f) define performance parameters and recommend final pay-out for incentives to the Board

1.4. Principles for determination of Compensation for KMPs and Senior Management(SM)

Compensation to KMPs and SMs shall be determined based on the following principles:

- a) level and composition of compensation is reasonable and sufficient to attract, retain and motivate the Senior Management team of the quality required to run the Company successfully, which means compensation should be:
 - market competitive ('market' for every role is defined as companies from which the Company attracts talent or companies to which the Company loses talent),
 - driven by the role played by the individual,
 - reflective of the complexity of operations; and,
 - the Company's capacity to pay.
- b) linkage of compensation to appropriate performance benchmarks.
- c) compensation outcomes are symmetric with risk outcomes and pay-outs thereof are sensitive to the time horizon of the risk.
- d) compensation structure will have a proper balance between Fixed-Pay and Variable-Pay.

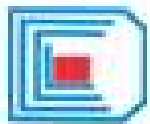
Compensation Structure

1.5. Compensation Structure broadly consists of following elements:

- i) **Fixed-Pay (TFP):** All fixed elements of compensation, including perquisites and contributions towards superannuation/ retiral benefits, may be treated as part of fixed-pay. All perquisites that are reimbursable may 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.) may also be part of fixed pay.
- ii) **Variable-Pay (VP):** The variable pay may be in the form of share linked instruments or a mix of cash and share linked instruments. It shall be ensured that

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share linked instruments are in conformity with relevant statutory provisions.

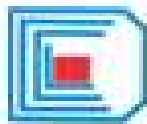
- **Proportion:** The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of KMPs/senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay should be truly and effectively variable and can be reduced to zero based on performance at and individual, business-unit and company-wide level. In order to do so, performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.
- **Deferral of variable pay:** 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 may be decided by the Board of the Company.
- **Compensation for KMPs and SMs in Control and Assurance Functions**
KMPs and SMs engaged in Financial Control, Risk Management, Compliance, and Internal Audit will be compensated in a manner that is independent of the business areas they oversee and commensurate with their role in the Company. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or Clawback, when warranted, is not rendered infructuous.

1.6. Guaranteed Bonus

Guaranteed bonus may not be paid to KMPs and SMs.. 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.

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1.7. Malus and Clawback

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.

Clawback is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested compensation attributable to a given reference year in which the incident has occurred. The return would be in terms of net amount. Malus and Clawback provisions shall apply regardless of whether the employee is in the employment of the Company or has separated.

1.7.1. Framework to invoke Malus/ Clawback

Relevant factors to be considered:

- a) 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.
- b) Material breach of Dar Credit & Capital Limited 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 and/or Clawback provisions.
- c) Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
- d) Wilful misinterpretation/misreporting of financial performance of the Company.
- e) Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- f) Non-disclosure of material conflict of interest by the employee or any misuse of official powers.

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- g) An act of wilful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the Company.

1.7.2. Guidelines for Implementation

- a) This Policy will be binding on all KMPs and SMs 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.
- b) 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 and/or clawback on none, part or all the unvested/ vested deferred variable-pay based on the outcome of the evaluation.
- c) 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.
- d) The provision relating to Clawback would entail return of full or part of the variable-pay (net of taxes) paid, attributable to a given reference year wherein the incident has occurred. The Company will have a right to set-off the clawback amount against any amount payable to the concerned employees.

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