



NOMINATION AND REMUNERATION POLICY

Gove Finance Limited

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Version control:

Version	Board Approval Date	Change Reference/Remarks	Custodian	Approving Authority
1	30.03.2024	Applicability of Nomination & Remuneration Policy	Compliance	Board of Directors

1. REGULATORY FRAMEWORK AND BACKGROUND

The Nomination and Remuneration Policy of Gove Finance Limited ("the Company") has been prepared in accordance with the requirements of the Companies Act, 2013, ("Act") read along with the rules thereto, if any applicable.

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 and Reserve Bank of India ("RBI") Master Direction, dated October 19, 2023, updated on November, 10, 2023 titled Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023', bearing reference number DoR.FIN.REC.No.45/03.10.119/2023-24.

2. OBJECTIVES

The objective of the Policy is to provide a framework for the constitution and remuneration of the Directors, Key Managerial Personnel (KMP) and Senior Management of the Company and also inter alia look into the following.

- i) To formulate criteria for determining qualifications, competencies, and independence of Directors and guide the Board in relation to appointment and removal of a Director, Key Managerial Personnel (KMP) and Senior Management of the Company ;
- ii) To determine the manner for effective evaluation of performance of Board and its Committees and individual Directors
- iii) To recommend to the Board, the Compensation Policy (forming part of the Nomination & Remuneration Policy) on the remuneration structure payable to the Key Managerial Personnel and Senior Management

3. DEFINITIONS:

- a. "Clawback" means a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances.
- b. "Committee" shall mean the Nomination & Remuneration Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013
- c. "Independent Directors" means Directors who has been appointed by Company in terms of Section 149 of Companies Act, 2013.
- d. "Key Managerial Personnel" (KMP) in relation to Company means as defined under section 2(51) of Companies Act, 2013, as amended from time to time and includes the following :
 - i) Managing Director or Executive Director
 - ii) Chief Executive Officer
 - iii) Company Secretary
 - iv) Whole-time Director
 - v) Chief Financial Officer and
 - vi) 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
 - vii) Such other officer as may be prescribed under the Companies Act, 2013
- e. "Senior Management Personnel" (SMP) means Officers /personnel of the Company who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) including the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.
- f. "Malus" means an arrangement that permits the Company to prevent vesting of all or part of the amount of a deferred remuneration

4. APPLICABILITY:

In view of the definitions given above, the policy is applicable on all Directors, Key managerial Personnel, Senior Management and other employees of the Company. NRC may on annual basis review the list of KMPs and SMPs identified based on their role and responsibilities.

5. CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration committee of the Company shall be comprised of three or more Non-Executive Directors out of which one-half shall be Independent Directors.

Quorum: At least two members or one third of the members of the Committee, whichever is higher, provided that at least one independent director shall be present at the meeting.

6. ROLE AND FUNCTIONS OF NOMINATION AND REMUNERATION COMMITTEE:

I. Appointment Criteria and Qualifications:

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

b) The Committee shall undertake a process of due diligence to determine the suitability of the person for appointment/continuing to hold an appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.

c) A person should 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.

d) The Company shall not appoint or continue the employment of any person as Managing Director/Whole-time Director who is below the age of twenty-one years or 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 motion indicating the justification for extension of appointment beyond seventy years.

e) The Company shall obtain necessary information and declaration from the proposed/existing directors as per the format provided under the Companies Act, 2013 and Guidelines issued by the Reserve Bank of India from time to time.

f) The Company shall obtain annually as on 31st March a simple declaration from the Directors the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.

g) The Company shall ensure in public interest that the nominated/elected directors execute the deeds of covenants in the Format provided under the Guidelines issued by Reserve Bank of India from time to time.

h) To have Directors (minimum one at least, on the Board) with relevant experience of having worked with in a Bank / NBFC, in view of the need for professional experience in managing the affairs of the Company.

II. Term / Tenure:

a) Executive Directors

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time subject to Board Approval. No reappointment shall be made earlier than one year before the expiry of term.

b) Independent Director:

- i) 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.

- ii) No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, 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.
- iii) Within the permissible limits in terms of the Companies Act, 2013, an Independent Director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. Further, the NRC and in turn the Board of the Company shall ensure that there is no conflict arising out of its Independent Directors being on the Board of another NBFC at the same time. A timeline of two years is to be observed with effect from October 01, 2022 to ensure compliance with these norms. There shall be no restriction to directorship on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013

III. Evaluation:

The provisions relating to the performance evaluation of the Directors and the Board are as follows:

- i) Nomination and Remuneration Committee to carry out evaluation of every Directors Performance - Sec 178(2) of the Act.
- ii) Independent Directors to bring objective view in evaluation of performance of Board and Management - Schedule IV(II) of the Act.
- iii) Performance evaluation of Independent Directors shall be done by entire Board of Directors excluding the Director being evaluated - Schedule IV of the Act
- iv) Disclosure in Board Report a statement indicating the manner in which formal annual evaluation of the performance has been made of Board, its Committees and of individual Directors - Section 134(3)(p) of the Act.

Pursuant to the provisions of the Companies Act, 2013, the Nomination and Remuneration Committee of the Board is required to carry out annual evaluation of Board, its committees and individual Directors.

IV. Removal:

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, the Committee 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.

V. Retirement:

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

7. ROLE AND FUNCTIONS OF THE COMMITTEE RELATED TO REMUNERATION

a) Components and risk alignment:

The compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices. The compensation packages may 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 NRC may work in close coordination with Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risk.

b) Fixed Pay components:

All the fixed items of compensation, including the 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.

c) Variable Pay components

Variable components comprises of Performance Linked Variable Pay based on performance of the individual/ company, prevailing market conditions, competitive performance of the Company vis-vis the market and achievement of profitability target set by the Company. The percentage and the quantum could vary from year to year as decided by the Board.

d) 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. Deferral period for such an arrangement may be decided by the Board of the Company.

f) Guaranteed Bonus:

In line with the HR Policy of the Company, the Company does not follow the practice of providing 'Guaranteed Bonus' to any new hiring or as sign-in bonus, to the Key Managerial Personnel and Senior Management.

8. Malus/ Clawback Arrangement Provision

The variable pay including deferred pay, of the Key Managerial Personnel and Senior Management shall be subject to Malus or Clawback provisions. The Nomination & Remuneration Committee may invoke Malus and/or Clawback arrangement provision with respect to the Key Managerial Personnel and Senior Management in the following illustrative scenarios.

Illustrative list of scenarios are detailed herein:

- ❖ Gross negligence, reckless, or wilful actions. However, errors of judgment shall not be construed to be breaches under this note.
- ❖ Material mis-statement of the Company's results.
- ❖ Fraud that requires financial re-statement.
- ❖ Reputational harm to the company.
- ❖ Exercises his/her responsibilities in a malafide manner.
- ❖ Significant deterioration of financial health of the Company.

- ❖ Any other situation which the Nomination & Remuneration Committee considers fit, on invoking Malus and/or Clawback provision

The Nomination & Remuneration Committee shall evaluate and decide, whether malus and/ or clawback provision would be applied to none, part, or all of the variable pay. While setting criteria for the application of malus and/or clawback arrangement, the Nomination & Remuneration Committee may also specify the period during which malus and/or clawback arrangement may apply, covering at least the deferral period.

9. Remuneration to Managing/Whole-time / Executive Director

The Remuneration/ Compensation/ Commission etc. to be paid to Executive Director / Managing Director etc. shall be governed by provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force. Subject to requisite approvals, in addition to the fixed remuneration, Executive Director/Managing Director is entitled to receive remuneration within the limits prescribed under the Companies Act, 2013 and performance-based remuneration.

If, in any financial year, the Company has no profits or its profits are inadequate, it shall pay remuneration to its Managing Director / Whole-time Director / Other Director in accordance with the provisions of Schedule V of the Companies Act, 2013.

Further, the proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk-taking profile of Directors.

10. Remuneration to Non-Executive / Independent Director

The Non-Executive Independent Director may receive remuneration/ compensation/ commission as per the provisions of the Companies Act, 2013. The amount of sitting fees shall be subject to ceiling/ limits as provided under the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

11. Remuneration to KMPs and SMPs

The KMPs and SMPs including functional heads, shall be eligible for a remuneration as per Company's Policy, which will consist of Fixed and variable components including perquisites and statutory benefits, performance-based remuneration, to attract, retain and motivate KMPs and SMPs to attain the short and long term performance objectives of the Company.

Further, the proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of KMPs/SMPs.

VI. AMENDMENTS TO THE POLICY

The Board reserves its right to amend or modify this Policy in whole or in part, at any time to ensure it remains consistent with Boards objectives, current law & best practices.

VII. REVIEW

The Policy shall be reviewed at least once a year.

For M/s Gove Finance Limited

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**Arun Vellore Surendra
Managing Director
DIN: 01617103**