



FUSION MICRO FINANCE PRIVATE LIMITED

NOMINATION AND REMUNERATION POLICY

Last reviewed on: May 26, 2021

1. NOMINATION AND REMUNERATION POLICY:

Fusion recognizes the importance of aligning the business objectives with specific and measurable individual objectives and targets. The Company has therefore formulated the remuneration policy for its directors, key managerial personnel and senior management etc. as per RBI master circular DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016, and as laid down in Section 178 of the Companies Act, 2013.

This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal of directors and senior management and evaluation of performance of the Directors.

This Nomination and Remuneration Policy is being formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto. This policy on nomination and remuneration of Directors, Key Managerial Personnel and senior management has been formulated by the Nomination and Remuneration Committee (NRC or the Committee) and has been approved by the Board of Directors.

2. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rule thereto. The Key Objectives of the Committee is to:

- 2.1.** To guide the Board in relation to appointment and removal of Directors and Senior Management.
- 2.2.** To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 2.3.** To recommend to the Board on Remuneration payable to the Directors and key managerial personnel and senior management of the company.
- 2.4.** To ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- 2.5.** To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 2.6.** To ensure that the remuneration of directors, key managerial personnel and senior management of the company involve a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.

3. DEFINITIONS:

“Act” means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

“Board of Directors” or Board means Board of Directors of the Company.

“Committee” means Nomination and Remuneration committee of the company as constituted or reconstituted by the board.

“Company” means “Fusion Microfinance Private Limited”.

“Key Managerial Personnel” means Chief Executive Officer, Company Secretary, Chief Financial Officer of the Company.

“Senior Management” means Chief Operating Officer of the Company.

“Policy or This Policy” means Nomination and Remuneration Policy.

4. APPLICABILITY:-

The Policy is applicable to

- Directors (Executive and Non-Executive)
- Key Managerial Personnel
- Senior Management

5. POLICY FOR APPOINTMENT, REMOVAL, TENURE, AND EVALUATION OF EVERY DIRECTOR'S PERFORMANCE

5.1. Appointment criteria and qualifications

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director
- b) 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.

5.2. Term / Tenure

The Term / Tenure of the Directors shall be governed as per provisions of the Companies Act, 2013 and rules made thereunder as amended from time to time.

- a. **Independent Director:** An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company,
- b. **Chairman of Committees:** Any Director of the Company appointed as a Chairman of any committee (board committee) of the Company shall not hold the position of Chairman of any such committee for a period of more than 3 years from the date of appointment.

5.3. Evaluation

The Committee shall carry out evaluation of performance of every member of the Board at regular interval (yearly).

a. Criteria for evaluating Board members:

Section 149 of the Companies Act, 2013 read with Schedule IV of the said Act states that the Independent Directors shall at its separate meeting review performance of non-independent directors and the Board as a whole and the performance evaluation of Independent Directors shall be done by the entire Board of Directors excluding the Director being evaluated.

b. Criteria for evaluating performance of Independent Directors

Criteria for evaluating performance of Independent Directors shall be as per the **Annexure A** enclosed herewith.

5.4. 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 and senior management subject to the provisions and compliance of the said Act, rules and regulations.

6. POLICY FOR REMUNERATION TO DIRECTORS:

The Committee will recommend the remuneration to be paid to the Directors, Key Managerial Personnel and Senior Management to the Board for their approval.

The level and composition of remuneration so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

6.1 Remuneration to Executive Directors:

a) The Remuneration/ Commission etc. to be paid to Executive Director shall be governed as per Article of Association of the company and provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the Members of the Company and the Central Government, as the case may be.

b) The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Executive Directors.

6.2 Remuneration to Non- Executive / Independent Directors:

a) **Remuneration:** All the remuneration of the Non- Executive (other than Nominee Director) / Independent Directors (excluding remuneration for attending meetings as prescribed under of the



Companies Act, 2013 shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.

a) **Sitting fees:** The Non-Executive (other than Nominee Director) / Independent Director may receive remuneration by way of sitting fees as the Board may decide / amend from time to time for attending meetings of Board or Committee thereof.

b) **Stock Options:** An Independent Director shall not be entitled to any stock option of the Company.

6. 3 Remuneration to Directors, Key Managerial Personnel and Senior Management:

a) The remuneration to Directors, Key Managerial Personnel and Senior Management shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.

b) The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from to time.

c) The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Directors, Key Managerial Personnel and Senior Management to be decided annually or at such intervals as may be considered appropriate.

7. DISSEMINATION

The details of the Policy and the evaluation criteria as applicable shall be published on Company's website and accordingly disclosed in the Annual Report as part of Board's report therein.

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PERFORMANCE EVALUATION OF BOARD AS A WHOLE

For the period Apr '17 – Mar '18

(Evaluation to be done by Mar 31, 2018 by all the Directors of the Board)

Sr. No.	Parameters	Good	Average	Below Average
	STRUCTURE, COMPOSITION & QUALITY			
1.	The Board as a whole has Directors who have the appropriate mix of experience, competencies and qualifications to meet the objectives of the Corporate Governance Policy.			
2.	The Board includes an adequate level of diversity of experiences and backgrounds.			
3.	The process of appointment of directors is clear and transparent and includes provisions to consider diversity of thought, experience, knowledge, and gender.			
	MEETINGS OF THE BOARD			
4.	Frequency: Board Meeting are held with enough frequency, at least quarterly, to fulfill the Board's duties.			
5.	Agenda: The agenda and related information are circulated in advance of meetings. Adequate and timely inputs are taken from the Board members prior to setting of the Agenda.			
6.	Discussions & Dissent: Board Meetings are conducted effectively with sufficient time spent on significant or emerging issues. All Directors participate in the discussions. Dissent and debate is encouraged. The Board seems to work constructively as a team.			
7.	Minutes: Are drafted and circulated accurately and in time, including dissenting views, if any.			
8.	Written materials provided to the Board members are relevant and concise.			
9.	Board members come to meetings well prepared.			

Sr. No.	Parameters	Good	Average	Below Average
FUNCTIONS OF THE BOARD				
10.	Strategy Issues: Significant time of the Board is being devoted to management of current and potential strategic issues			
11.	Business Performance: The Board reviews and guides corporate strategy, major plans of action, risk policy, annual budgets and business plans, sets performance objectives.			
12.	Governance and compliance: Adequate time of the Board is devoted to examine governance and compliance issues. The Board ensures the integrity of the accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place.			
13.	Risk Assessment: The Board takes into account significant risks that may directly or indirectly affect the organization, including Regulatory and legal requirements, Market and competitive trends, Business continuity, Organization reputation and Fraud control.			
BOARD & MANAGEMENT				
14.	The Board evaluates and monitors management, especially the CEO, regularly and provides constructive feedback and strategic guidance.			
15.	The Board is sufficiently independent from the CEO, and 'steps back' enough to assist the CEO by challenging the assumptions underlying strategy, strategic initiatives & risk appetite.			
OVERALL EVALUATION				
Use the space below to write qualitative comments on the overall effectiveness of the Board of Fusion Microfinance. You may wish to elaborate on some of the areas you rated "Below Average".				

PERFORMANCE EVALUATION OF INDEPENDENT DIRECTORS

For the period Apr '17 – Mar '18

(Evaluation to be done by Mar 31, 2018 by all the Directors of the Board)

Name of Director being assessed: _____

S.No.	Parameters	Good	Average	Below Average
1.	Has regular attendance in the Board Meetings.			
2.	Makes an effort to be prepared and well informed for Board Meetings			
3.	Willing to spend time and make efforts to learn about the Company and its business. Knowledgeable about latest development in corporate governance framework, financial reporting, microfinance industry and current markets conditions.			
4.	Brings his/her knowledge and experience in implementation of company's strategy.			
5.	Relationship with the other Directors and executive management to enable the Board to function "As a team"			
6.	Contributes precise and value added inputs in Board Meetings to help decision making.			
7.	Demonstrates highest level of integrity, including conflict of interest disclosures, maintenance of confidentiality.			
8.	Independent Director is truly independent from the company. Demonstrates this independence by exercising his/ her judgement and voicing opinion freely.			

OVERALL EVALUATION

Use the space below to write qualitative comments on the Director being assessed. You may wish to elaborate on some of the areas you rated "Below Average".

PERFORMANCE EVALUATION OF PROMOTER/ NOMINEE (NON-INDEPENDENT) DIRECTORS

For the period Apr '17 – Mar '18

(Evaluation to be done by Mar 31, 2018 by all the Directors of the Board)

Name of Director being assessed: _____

S.No.	Parameters	Good	Average	Below Average
1.	Has regular attendance in the Board Meetings.			
2.	Makes an effort to be prepared and well informed for Board Meetings			
3.	Willing to spend time and make efforts to learn about the Company and its business. Knowledgeable about latest development in corporate governance framework, financial reporting, microfinance industry and current markets conditions.			
4.	Brings his/her knowledge and experience in implementation of company's strategy.			
5.	Relationship with the other Directors and executive management to enable the Board to function "As a team"			
6.	Contributes precise and value added inputs in Board Meetings to help decision making.			
7.	Demonstrates highest level of integrity, including conflict of interest disclosures, maintenance of confidentiality.			
OVERALL EVALUATION				
Use the space below to write qualitative comments on the Director being assessed. You may wish to elaborate on some of the areas you rated "Below Average".				