

COMPENSATION PHILISOPHY AT FINO FINANCE PRIVATE LIMITED

Directors, Key Managerial Personnel and Employees Compensation are a critical tool in the successful execution of our corporate goals. Attracting, motivating and retaining talent is central to our compensation policy. The philosophy revolves around pay for performance and guides our compensation decisions for all Directors, Key Managerial Personnel and Employees including the senior management. We believe in being totally compliant to the Companies Act, 2013, RBI Guidelines as well as all other regulatory requirements, as amended from time to time.

1. OBJECTIVES OF THE COMPENSATION POLICY

- a) To focus on enhancing the value and to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors for achieving objectives of the Company and to place the Company in a leading position.
- b) To attract and retain talented Key Managerial Personnel and employees.
- c) To reward and motivate employees on holistic achievement of their goals including financial and non- financial parameters.
- d) Reinforce a business culture that drives meritocracy and supports accountability and zero tolerance for unethical conduct through appropriate compensation and employment decisions.
- e) Develop and enforce risk management controls that reduce incentives to create imprudent risks for Fino Finance Private Limited (FFPL) and its businesses, and reward thoughtful balance of risk and return as guided by regulatory instructions from time to time.

2. SCOPE

All Directors, Key Managerial Personnel and employees of Fino Finance Private Limited (FFPL).

Definition(s)

1. Director and Whole-time Director shall mean Director and Whole-time Director as defined under the Companies Act, 2013.
2. “Key Managerial Personnel” (KMP) as defined in section 2(51) of the Companies Act, 2013 means:
 - the Chief Executive Officer or the Managing Director or Manager;
 - the Whole-time Director;
 - the Company Secretary;
 - the 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.

3. Employee means a full time employee of Fino Finance Private Limited.

3. GUIDING PRINCIPLES

3.1 Governance/Guidelines

The Nomination and Remuneration Committee shall, while formulating the policy ensure that—

- (a) 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;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) remuneration to directors, key managerial personnel and 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:

While deciding the policy on remuneration of Directors, the Nomination and Remuneration Committee may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013, the Listing Regulations, various Codes of Conduct, Articles of Association, restrictions on the remuneration to Directors as also the remuneration drawn by Directors of other companies in the industry, the valuable contributions and inputs from Directors based on their knowledge, experience and expertise in shaping the destiny of the Company, etc. The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act, 2013 and principles pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

The guidelines that govern the Compensation policy and programs of FFPL are actively overseen by the Nomination & Remuneration Committee (NRC) of the board and administered by the Human Resources Department with the key goals of hiring, motivating, rewarding and retaining high performing employees who support the organization's mission and strategy.

The NRC monitors and reviews the compensation policy and ensures that the same is implemented as intended.

DIRECTORS

The Whole-time Director is an executive of the Company and draws remuneration from the Company. The Independent Directors receive sitting fees for attending the meeting of the Board and the Committees thereof, as fixed by the Board of Directors from time to time, subject to statutory provisions. The Independent Directors may be entitled to the remuneration under the Companies Act, 2013. Nominee Directors are not paid any sitting fees or any remuneration. In addition to the above, the Directors are entitled for reimbursement of expenses incurred in discharge of their duties.



The NRC while determining the remuneration shall ensure that the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC shall also ensure a balance between fixed and performance-linked variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

EXECUTIVE DIRECTORS

The term of office and remuneration of Executive Directors are subject to the approval of the Board of Directors, Shareholders, and Central Government, as may be required and the limits laid down under the Companies Act, 2013 from time to time.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay, subject to the requisite approvals, remuneration to its Executive Directors in accordance with the provisions of Schedule V of the Companies Act, 2013.

If any Executive Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

Remuneration of the Executive Directors reflects the overall remuneration philosophy and guiding principle of the Company. While considering the appointment and remuneration of Executive Directors, the NRC shall consider the industry benchmarks, merit and seniority of the person and shall ensure that the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies. Remuneration for Executive Director is designed subject to the limits laid down under the Companies Act, 2013 to remunerate them fairly and responsibly. The remuneration to the Executive Director comprises of salary, perquisites and performance based incentive apart from retirement benefits like Provident Fund, Superannuation, Gratuity, Leave Encashment, etc., as per Rules of the Company. Salary is paid within the range approved by the Shareholders. Increments are effective as recommended/ approved by the NRC/Board.

The Executive Director(s) is/are entitled to the Stock Options of the Holding Company as per the approved Stock Option Scheme of the Holding Company from time to time.

NON-EXECUTIVE DIRECTORS

The Independent Directors (NEDs) are paid remuneration by way of Sitting Fees.

At present, the Company pays sitting fees to the Independent Directors for attending the meetings of the Board and the Committees constituted by the Board from time to time.

Disclosures

Information on the total remuneration of members of the Company's Board of Directors, Executive Directors and Key Managerial Personnel/ Senior Management Personnel may be disclosed in the Board's Report and the Company's Annual Report/ Website as per statutory requirements laid down in this regard.

3.2 Compliance

To comply with all the relevant laws, rules, statutes and regulations related to compensation defined from time to time. Human Resources functions periodically provides compliance certificate to the Board and Nomination Remuneration Committee.

3.3 Compensation Communication

An important objective of the Compensation Policy is to provide all relevant internal and external parties with appropriate information and transparency, thereby promoting a thorough understanding of the FFPL's Compensation practices.

3.4 Performance

FFPL adopts a performance culture with a strong emphasis on disciplined risk management, ethics and compliance-centered behavior. To support this, FFPL has a comprehensive performance management system policy based on performance rating of contribution and any risk adjusted performances demonstrated over time. Contribution ratings are typically based on objective criteria such as achieving targets or successful completion of projects. The Key Performance Indicators of the Whole-time Directors and KMPs and Employees are very well articulated and communicated at the beginning of the year.

Performance Management Systems are designed to foster team work and collaboration, as well as support a strong culture of ethical values and professional standards. All Whole-time Directors, KMPs, managers and employees are aware of the risk aspects of compensation and how their behaviors are factored into discretionary variable incentive award recommendations.

3.5 Market Trends and Practices

In order to maintain internal parity and ensure alignment with market trends and industry best practices, Human Resources Compensation Vertical will undertake benchmarking exercises from time to time and present to NRC their recommendations in line with the compensation policy for hiring and retention of human resources.

3.6 Periodic Review



The total compensation is reviewed on an annual basis to ensure that it is in line with organizational growth and risk adjusted value creation. This also provides us an opportunity to review claw back on any performance based incentive payout.

3.7 Hedging

FFPL does not provide any facility or funds to insure or hedge their compensation to offset the risk involved.

4. Components of Total Compensation

4.1 Fixed Pay

Fixed Pay is the fixed payments to Whole-time Director, KMP and Employees on a monthly basis for the services rendered. Fixed Pay is a percentage of the total compensation. Fixed pay for each Whole-time Director, KMP or employee will differ depending on the years of experience, the job role, and tenure in job, job responsibilities and job performance and the Grade. Fixed Pay comprises of components like Basic Salary, House Rent Allowance, Special Allowances, etc. Further any statutory payments such as Provident Fund, Gratuity will be made.

4.2 Earning Potential or Variable Pay

Earning potential or Variable Pay is percentage of compensation and the percentage differs depending on the seniority and job role. The percentage varies in the range of 10% - 30% of compensation.

Earning Potential or Variable Pay is a payout made to the individual depending on the performance of the company and his or her individual performance and other risk adjusted value creation appropriate to role and responsibilities and may be zero in case of sub- standard performance. The Earning Potential Payout is not made in case the Whole-time Director, KMP or Employee chooses to leave the firm. The Earning potential or Variable payout does not constitute of any Guaranteed Bonus.

4.3 Deferred Compensation Component

As a Company we do not offer Deferred Bonus payouts in cash to our Whole-time Director, KMP or Employees. However in case the company at a future date increases the proportion of Variable pay and it exceeds 50% of compensation subject to appropriate approvals from NRC then such incremental payment will be deferred over a period of 3 years. Such Variable Compensation will also be subject to Malus and Claw backs and will need Whole-time Director, KMP or Employees to sign relevant declarations whenever necessary.



4.4 Specific Compensation Components

Aside from the annual compensation review process, there are many compensation components throughout the year. The most common relate to new hires or terminations and may entail minimum variable compensation such as joining bonus, buy-out arrangements or termination payments.

In such components claw back options are exercised. Such compensation is limited to the year of event only.

The NRC and the Board of Directors have empowered the Whole-time Director to approve the use of such transactions when fully justified and under applicable rules.

For and on behalf of the Board of Directors of
FINO FINANCE PRIVATE LIMITED
(Formerly known as Intrepid Finance And Leasing Private Limited)

Navi Mumbai
24th June, 2021

Ashok Kini
Independent Director

Sudeep Gupta
Whole-time Director