

SAFL

Sustainable Agro-commercial Finance Ltd.

Nomination and Remuneration Policy

Version 1.0

August 2025

Sign of Sheet		
APPROVED BY	Board of Directors	7th August 2025
REVIEWED & RECOMMENDED BY	Prabhakar Bobde MD & CEO	3rd July 2025
PREPARED BY	Pranali Sulakhe Company Secretary	3rd July 2025

Change History

Description	Version	Date
Nomination and Remuneration Policy	1.0	August 2025

Index

Sr. No.	Particulars	Page No
1.	Introduction	4
2.	Objectives and	4
3.	Definition	5
4.	Applicability	5
5.	Constitution, Composition, Quorum of the Committee	5
6.	Meetings and Invitees to meetings	6
7.	Role and functions of the Committee related to Nomination	6
8.	Appointment of Managing Director/Whole Time Director or Whole Time Executive Director (WTD)	8
9.	Appointment of Chairman	8
10.	Appointment of Independent Director	8
11.	Re-appointment/ Retirement of Directors	9
12.	Resignation/Removal of a Directors	10
13.	Remuneration of Directors, KMP and Senior Management	11
14.	Reporting Requirements	13
15.	Regulatory Disclosures	13
16.	Information to Board of Directors and Shareholders	13
17.	Disclosures relating Remuneration	13
18	Delegation of powers Committee or the Board	14
19	Appointment and remuneration of other Employees of the Company	14
20	Policy Review and Updates	14

1. Introduction

Sustainable Agro-commercial Finance Limited (hereinafter 'the Company') recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business, ethics, accountability to its customers, government and other stakeholders. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

The objective of this Policy is to regulate the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), senior management and other employees as per the criteria formulated by the Nomination and Remuneration Committee of the Board pursuant to the requirement of the Companies Act, 2013 read with applicable Rules, and applicable RBI Guidelines and other applicable rules and guidelines.

The Policy shall ensure that the Company has a Board with diverse background and experience in areas that are relevant for the Company. It also seeks to lay down principles for fixing the remuneration/compensation to attract and retain the best suitable talent on the Board of the Company.

The Board of Directors ("Board") of the Company, has constituted the Nomination and Remuneration Committee (NRC) in accordance with the provisions of the Companies Act, 2013 and adopted the Nomination and Remuneration Policy (''NRC Policy'') in compliance with the Companies Act, 2013 and pursuant to the Reserve Bank of India Master Direction

2. Objectives

The key objectives of this policy are as under:

1. Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors before their appointment and on an annual basis.
2. Institutionalize a mechanism for the appointment/ removal/ dismissal of directors and lay down selection criteria for appointment of director.
3. Formulate criteria for determining qualifications, positive attributes and independence of directors
4. Retain, motivate and promote talent and to ensure long term sustainability of talented KMP
5. Devise a policy on Board diversity
6. Develop and regularly review succession plan for the Board
7. Formulate the criteria for evaluation of performance of all the Directors on the Board
8. Establish standards on compensation/ remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry
9. Define internal guidelines for payment of perquisites to the directors and KMP.

3. Definition

a. "Act" means the Companies Act, 2013 as amended from time to time;
b. "Associate" shall mean a company which is an "associate" as defined in Section 2(6)Companies Act 2013, "Company" means Sustainable Agro-commercial Finance Limited
c. "Board of Directors or Board" means the board of directors of the Company;
d. "Director" means member of the Board of Director;
e. "Key Managerial Personnel or KMP" shall have the same meaning as defined under Section2(51) of the Act;
f. "Independent Director" means as defined under Section 2(47) of the Companies Act 2013
g. "Managing Director or MD" means as defined under Section 2(54) of the Companies Act 2013
h. "NRC" means Nomination and Remuneration Committee of the Company;
i. "Senior Management" means the 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 directors, including the functional heads and shall specifically include company secretary and chief financial officer;

4. Applicability

All new appointments made in the Board of Directors and KMP will be covered under this policy. Further, it also covers the remuneration of all the directors as well as KMP.

The policy shall be applicable to the following:

- Directors
- Key Managerial Personnel
- Senior Management
- Other Employees as may be specified

5. Constitution, Composition, Quorum of the Committee

a. Constitution and Composition

The Committee shall consist of a minimum 3 (Three) non-executive directors, out of which not less than one half shall be Independent Directors. The Chairman of the Committee will be an Independent Director from amongst the members of the Committee. In the absence of the Chairman, members of the Committee present at the meeting shall choose one of the members of the committee to act as Chairman.

b. Quorum

The quorum for the Committee meetings shall be one third of its total strength (any fraction contained in that one third being rounded off as one) or two Directors, whichever is higher, of which, at least one Director shall be an Independent Director.

6. Meetings and Invitees to meetings:

The Committee will meet as and when required or as mandated by the Board or the Chairman of the Committee, The Committee may invite such executives, as it considers appropriate to be present at any meeting of the Committee., The Company Secretary shall act as Secretary of the Committee and provide assistance to it.

7. Role and functions of the Committee related to Nomination

- **Appointment criteria and qualifications**

    a. To identify persons who are qualified to become directors and who may be appointed as KMP (Key Managerial Personnel or SMP (Senior Managerial Personnel), who possesses integrity, independence, adequate knowledge, skill, qualification, experience in the field of his/her specialization commensurate with the proposed role and responsibility as Director, KMP or SMP and shall have the ability to manage the responsibility assigned to him/her

    b. The Company should ensure that it appoints or continues the employment of any person as Managing Director / Whole-time Director, if any, subject to the conditions laid down under Part I of Schedule V of the Companies Act, 2013.

    c. To ensure that the Company shall appoint or continue the service of any person as Independent Director subject to the provisions of Section 149 read with Schedule IV and other applicable provisions of the Companies Act, 2013.

- **Fit and Proper Criteria**

    - The Board of Directors of the Company while nominating/ co-opting directors should be guided by certain broad 'fit and proper' norms for directors, viz. formal qualification, experience, track record, integrity etc. For assessing integrity and suitability features like criminal records, financial position, civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies, previous questionable business practices etc. should be considered. The Board of Directors may, therefore, evolve appropriate systems for ensuring 'fit and proper' norms for directors, which may include calling for information by way of self-declaration, verification reports from market, etc.
    - The candidate should normally be a graduate (which can be relaxed while selecting directors for the categories of farmers, depositors, artisans, etc.).
    - The Director shall furnish his Director Identification Number and a declaration that he is not disqualified to become a director under the Companies Act, 2013.

- **The director shall provide such other confirmation/consent/disclosures as required under the Act, and applicable RBI Guidelines. Disqualification and Restrictions**

  A person shall not be eligible for appointment as a director of the Company, if —

  (a) he is of unsound mind and stands so declared by a competent court;
  (b) he is an undischarged insolvent;
  (c) he has applied to be adjudicated as an insolvent and his application is pending;
  (d) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

  Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in the Company;

  (e) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;
  (f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
  (g) he has been convicted of the offence dealing with related party transactions under Section 188 of the Act at any time during the last preceding five years; or
  (h) he has not complied with sub-section (3) of section 152 of the Companies Act 2013
  (i) he has not complied with the provisions of sub-section (1) of section 165 of the Companies Act 2013.

- **Tenor of Non-Executive Director (NED)**

  Subject to the provisions of Section 149 and 152 of the Act, NED including Independent Director shall be appointed for the period of 5 years and the total tenure of an NED, continuously or otherwise, on the board of the SAFL, shall not exceed 10 years. After completing 10 years on the Board of the SAFL the person may be considered for re-appointment only after a minimum gap of three years. This will not preclude him/her from being appointed as a director in another Bank/NBFC subject to meeting the requirements.

8. Appointment of Managing Director/Whole Time Director or Whole Time Executive Director (WTD)

a. Qualification

The MD/WTD of the NBFC should have special knowledge and practical experience of, working of a Bank or a financial institution; or financial, economic or business administration. The NBFC shall not appoint or employ at the same time a managing director and a manager.

b. Disqualification and Restrictions

The Company shall not be managed or employ or continue employment of any person:

- Who at any time has been adjudged as insolvent, suspended payments, compounded with creditors, convicted by a criminal court of offence involving moral turpitude, or
- Whose remuneration, is in the opinion of RBI, excessive, or
- Who is engaged in any other business or vocation; or

c. Tenor

A Managing Director or any other whole time Executive Directors of the company shall fulfil all conditions as applicable to the directors of the NBFC.

The Managing Director shall be in whole time employment of the NBFC and can hold office at a time for a period of 5 years.

9. Appointment of Chairman

a. Requirement

The Chairman shall be appointed as per the Articles of Association of the Company.

b. Procedure

The Members of the Board excluding the Managing Director shall appoint Chairman to the Board.

10. Appointment of Independent Director

a. Qualification

The Company should appoint such persons as independent directors who in the opinion of the Company, are persons with integrity, possessing relevant expertise and experience and who satisfy the below given criteria for independence under Section 149 of the Act. The Independent directors shall follow the Code of Conduct of the Company which shall set out the duties of the Independent Directors.

Independent Directors should have registered on the Indian Institute of Corporate Affairs ("IICA") for inclusion of name in the Data Bank for One Year/ 5 years/Lifetime within due date as prescribed in sub-rule (1) of Rule 6 of Companies (Appointment and Qualification of Directors) Rules, 2014 and shall take, from time to time, necessary steps, as specified in sub- rule (2) of captioned rule, till they continue to hold the office of an Independent Director in the NBFC.

b. Disqualification and Restriction

The Company shall not consider any director of the promoter group entity or nominee director of investors as Independent Directors.

c. Tenor

The appointment of an Independent Director on the Board of Directors of the Company shall be for a period of 5 years from his/her effective date of appointment or in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time. He/she can be reappointed in accordance with Section 149 of Act and RBI Guidelines.

Subject to the provisions of Section 149 and 152 of the Act, Independent Director shall be appointed for the period of 5 years and the total tenure of an Independent Director, continuously or otherwise, on the board of the Company, shall not exceed ten years.

11. Re-appointment/ Retirement of Directors

One third of the total number of directors (excluding independent directors and Nominee Directors) shall retire by rotation at every Annual General Meeting (AGM).

The directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment. The Company may fill up the vacancy on account of retirement by rotation, by appointing the retiring director or some other person.

For every appointment of an Independent Director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an ID. The person recommended to the Board for appointment as an ID shall have the capabilities identified in such description.

For the purpose of identifying suitable candidates, the Committee may:

a) use the services of an external agencies, if required;
b) consider candidates from a wide range of backgrounds, having due regard to diversity; and
c) consider the time commitments of the candidates.

The re-appointment of independent directors shall be on the basis of report of performance evaluation.

12. Resignation/Removal of a Directors

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulation, the Nomination and Remuneration Committee may recommend to the Board with the reasons recorded in writing, removal of a Director, KMP or senior management personnel subject to the provisions and compliance of the Companies Act, 2013. Director may also be terminated in accordance with the provisions of the Act, RBI Guidelines and the Articles of Association of the Company from time to time in force.

Resignation of Director: The Company shall intimate the Registrar of Companies, RBI and other applicable regulatory Authorities about the resignation of the Director and shall place the fact of such resignation in the report of directors laid in the immediately following general meeting. The resignation of a director shall take effect from the date on which the notice is received by the Company or the date, if any, specified by the director in the notice, whichever is later. The director who has resigned, shall be liable even after his resignation for the offences which occurred during his/her tenure.

Removal of Directors: The Company shall by an ordinary resolution, remove a director before the expiry of the period of his/her office after giving him a reasonable opportunity of being heard, in case the Company has not appointed such director by adopting the principle of proportional representation. The director who was removed from office shall not be re-appointed as a director by the Board of Directors.

The Company shall send a notice to remove a director or to appoint somebody in place of a director at the meeting at which he is removed. A director so appointed shall hold office till the date up to which his predecessor would have held office if he had not been removed.

Resignation/Removal of Independent Director

In case of removal or resignation of Independent Directors from the Board, the Company shall replace the position within the timelines prescribed by the Companies Act, 2013, any other applicable laws, as amended from time to time.

Provided where the Company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

No independent director, who resigns, shall be appointed as an executive / whole time director on the board of the Company, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of three years has elapsed from the date of resignation as an independent director.

13. Remuneration of Directors, KMP and Senior Management

The Nomination and Remuneration Committee (NRC) of the Company shall evaluate the performance of the Directors including Independent Directors and recommend to the Board all fees, compensation/remuneration including fixed and variable and perquisites. The Board of Directors shall recommend all fees/compensation or remuneration, if any, paid to non-executive directors, including independent directors. The NRC shall ensure the following:

- 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;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- remuneration to directors 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.

The Remuneration/ Compensation/ Commission etc. to be paid to Director / Managing Director etc. shall be governed as per provisions of the Act and rules made there under or any other enactment for the time being in force and applicable RBI Guidelines.

The Company shall effectively align its compensation

- Compensation must be adjusted for all types of risk.
- Compensation outcomes must be symmetric with risk outcomes.
- Compensation pay-out schedules must be sensitive to the time horizon of risks.

The Company shall not give loans and advances to an entity (company, firm, individual) in which the Director is associated either as a director, partner, manager, guarantor, etc.

The Company shall obtain prior approval from the NRC on the remuneration paid to the Chairman, Managing or whole-time Director or any other director, KMP or Chief Executive Officer.

a. Remuneration to Director/ Managing Director

Compensation to the Managing Director/CEO will consist of Fixed and Variable Remuneration. Any changes to this shall be approved by the Nomination and Remuneration Committee. The approval process will involve an assessment whether the compensation policies and practices are in accordance with the Financial Stability, including inter alia, whether there is appropriate balance between fixed and variable pay, whether adequate deferrals are built in the variable component and whether cost/ income ratio supports the remuneration package consistent with maintenance of sound capital adequacy ratio. The Company will follow similar process for compensation to its other Whole-Time Directors, if any.

The remuneration of the Managing Director / Whole-time Director will be determined by the Committee and recommended to the Board for approval, subject to the right of the Sustainable Agro-commercial Finance Limited to determine the remuneration and the terms and conditions of service of the Managing Director / Whole-time Director appointed by Sustainable Agro-commercial Finance Limited pursuant to its rights of their appointment, as contained in the Articles of Association of the Company.

b. Remuneration to Independent Directors

Independent Director shall not be an employee of the Company and the appointment letter issued to him/her shall not constitute a contract of employment. The Company shall pay the Independent Director remuneration by way of sitting fees and expenses related to attending meetings of the board and its committees as per extant statutory norms/ practices, the Company may provide for payment of compensation to Independent Directors in the form of a fixed remuneration for attending meetings of the Board and its Committees as may be decided by the Board and, if required, approved by the Shareholders from time to time. Further, an Independent Director shall not be entitled for any Stock Options, under Employee Stock Option Plans (ESOPs).

The Company may pay sitting fees for each of such meeting to independent directors as may be decided by the Board and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.

- **Appointment and Remuneration of KMP, Senior Management and Other Employees, if any.**

The Nomination and Remuneration Committee (NRC) shall formulate the criteria for determining qualifications, positive attributes etc. and recommend to the board of directors for the appointment of key managerial personnel and other employees;

As per the requirement of the position in the Company the candidature for the post of KMP shall be put forth the NRC and the NRC shall recommend the appointment to the Board. Every KMP shall be appointed through a resolution of the Board of Directors. Further, in case of Senior Management and other employees of the Company, the Board/NRC shall appoint or delegate the appointment for the position at its discretion.

The remuneration of the KMPs and Senior hires including the fixed and variable pay, Stock Options, other benefits shall be fixed by the NRC/Board based upon but not limited to the below factors:

- Qualification
- Experience
- Management Level
- Industry Standards
- Amount of Risk taken
- Annual Appraisal
- Performance Evaluation

14. Reporting Requirement

The Company shall disseminate the information on the "Nomination and Remuneration Policy" on its website.

15. Regulatory Disclosures

The Company shall, as per the regulatory requirements and discretion of the Board intimate the Registrar of Companies, RBI, IRDAI and other regulatory authorities about any Change in the Board of Directors on the Companies Board and appointment/ Retirement/ Resignation/ Removal/ Cessation of KMP and senior hires wherever required by law.

16. Information to Board of Directors and Shareholders

The Company shall provide information to Board on recruitment and remuneration of senior officers just one below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Company Secretary.

The Company shall provide the shareholders with the following information in the case of appointment of a new director or re-appointment of a director:

- A brief resume of the director;
- Nature of his expertise in specific functional areas;
- Disclosure of relationships between directors inter-se;
- Names of entities in which the person also holds the directorship and the membership of Committees of the board; and
- Shareholding of non-executive directors.

17. Disclosures relating Remuneration

a. Reporting in the Annual Report

The Company shall make qualitative and quantitative disclosures in the Annual Financial Statements as required under applicable accounting standard and RBI Regulations. In addition to these disclosures the Company shall also disclose the following information.

- All pecuniary relationship or transactions of the non-executive director's vis-à-vis the Company shall be disclosed in the annual report
- All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension, service contracts, notice period, severance fees
- The ratio of the remuneration of each director to the median employee's remuneration.
- The Remuneration paid to the Key Managerial Personnel

b. Other Disclosure

- Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the Company in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.
- In case of appointment of new Directors or re-appointment of directors, shareholders must be provided with the names of entities in which the person also holds the directorship and the membership of Committees of the board along with the names of the entities from which the person has resigned in the past three years.
- In case of appointment of independent directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements.
- The senior management of the Company shall make disclosures to the Board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large.

18. Delegation of powers Committee or the Board

The Committee or the Board of Directors may delegate one or more powers / responsibilities prescribed in this policy in favor of the Managing Director or any other Officer of the Company for implementation of the policy.

19. Appointment and remuneration of other Employees of the Company

The terms of appointment and remuneration of employees of the Company (other than Managing Director, KMPs and SMPs including functional head) shall be governed by the Company's Policy.

20. Policy Review and Updates

The Board approved policy shall be reviewed as and when required for incorporating regulatory updates and changes, if any.

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