



# Nomination and Remuneration Policy

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## 1 ABOUT THE COMPANY

- 1.1 Vivriti Capital Limited ("**VCL**"/"**Company**") is a debt listed non-deposit taking systemically important non-banking finance company (NBFCs-ND-SI) registered with the Reserve Bank of India.
- 1.2 Pursuant to the Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 issued by Reserve Bank of India ("**RBI Directions**"), the Company is required to constitute the Nomination and Remuneration Committee ("**Committee**") as specified in Section 178 of Companies Act 2013 ("**the Act**").
- 1.3 This policy is compliance with Corporate Governance Norms for NBFCs, 'Scale Based Regulation (SBR) – A Revised Regulatory Framework for NBFCs' and guidelines on Compensation of Key Managerial Personnel (KMPs) and Senior Management (SM) in NBFCs, as amended from time to time.
- 1.4 VCL is a high value debt listed entity and accordingly the provisions of Regulation 15 to 27 under Chapter IV of Listing Regulations (*as defined below*) are applicable to the Company.
- 1.5 The Committee inter alia determines and recommends to the Board of Directors (*as defined below*) of the Company the compensation payable to the Directors (*as defined below*). Remuneration for the Executive Directors consists of a fixed component and a variable component linked to the long-term version, medium term goals and annual business plans.
- 1.6 Section 178 of the Act and Regulation 19 read with Part D of Schedule II of the Listing Regulations provides that the Committee shall recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel (*as defined below*) and other employees. Further the Committee shall also formulate the criteria for determining qualifications, positive attributes and independence of a director.
- 1.7 Accordingly, the Committee and this Nomination and Remuneration Policy ("**Policy**") have been formulated in compliance with the RBI Directions, Listing Regulations and the Act read along with the applicable rules thereto.
- 1.8 The Board has approved this Policy in its meeting held on 10<sup>th</sup> August 2019 and amended it from time to time thereafter.

## 2 OBJECTIVE

- 2.1 To lay down the criteria for identifying the persons who are qualified to become Directors and such persons who may be appointed as the Senior Management (*as defined below*) personnel of the Company.
- 2.2 To determine the qualifications, positive attributes and independence of the Board and to ensure Board Diversity.
- 2.3 To recommend the Board for determining the remuneration of the Directors, Key Managerial Personnel and other employees.
- 2.4 To set the criteria for evaluation of the performance of the Board and other employees of the Company.

## 3 DEFINITIONS

Unless otherwise stated, capitalised terms used in this Policy have the meanings ascribed to them hereunder:

- 3.1 "**Act**" shall mean the Companies Act, 2013 and the rules issued thereunder, as amended from time to time.

- 3.2 **“Board”** or **“Board of Directors”** shall mean the board of directors of the Company.
- 3.3 **“Committee”** shall mean the Nomination and Remuneration Committee of the Company.
- 3.4 **“Director”** shall mean a member of the Board of the Company.
- 3.5 **“Independent Director”** shall mean an independent director in terms of Regulation 16(1)(b) of the Listing Regulations.
- 3.6 **“Interested Person”** shall mean any person holding voting rights in the Company and who is in any manner, whether directly or indirectly, interested in an agreement or proposed agreement, entered into or to be entered into by such a person or by any employee or Key Managerial Personnel or Director or promoter of the Company with any shareholder or any other third party with respect to compensation or profit sharing in connection with the securities of such listed entity.
- 3.7 **“Key Managerial Personnel”** shall mean as defined in Section 2(51) of the Act in relation to the Company and consists of:
- a. chief executive officer or the Managing Director or the manager;
  - b. company secretary;
  - c. whole time director;
  - d. chief financial officer;
  - e. 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
  - f. such other officer as may be prescribed by the Government.
- 3.8 **“Listing Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
- 3.9 **“Managing Director”** shall mean as defined in Section 2(56) of the Act in relation to the Company.
- 3.10 **“Policy”** shall mean the Nomination and Remuneration Policy of the Company.
- 3.11 **“Senior Management”** shall mean 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) and shall specifically include company secretary and chief financial officer.

#### **4 APPLICABILITY**

- 4.1 This Policy shall be applicable to:
- a. Board;
  - b. Key Managerial Personnel;
  - c. Senior Management; and
  - d. Other employees of the Company.

#### **5 INTERPRETATION**

- 5.1 Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Listing Regulations or Act, as amended from time to time.

#### **6 GUIDING PRINCIPLES**

The Policy ensures that:

- 6.1 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;
- 6.2 Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- 6.3 Aligning key executive and Board remuneration with the long-term interests of the company and its shareholders;
- 6.4 Minimize complexity and ensure transparency;
- 6.5 Link to long term strategy as well as annual business performance of the Company;
- 6.6 Promotes a culture of meritocracy and is linked to key performance and business drivers; and
- 6.7 Reflective of line expertise, market competitiveness to attract the best talent.

## **7 ROLE OF THE COMMITTEE**

The role of the Committee, inter alia, will be the following:

- 7.1 To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal;
- 7.2 To formulate criteria for evaluation of performance of Independent Director and Board of Directors;
- 7.3 To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees;
- 7.4 To formulate the criteria for evaluation during appointment of Independent Directors by the Board;
- 7.5 To recommend/review remuneration of the whole-time director(s) based on their performance and defined assessment criteria;
- 7.6 Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- 7.7 To recommend to the Board, all remuneration, in whatever form, payable to Senior Management;
- 7.8 To perform such other functions as may be necessary or appropriate for the performance of its duties including the roles as entrusted under the Nomination Remuneration Committee Charter;
- 7.9 To carry out any other function as is mandated by the Board from time to time and/or enforced by a statutory notification, amendment or modification, as may be applicable or which are required to be performed as per the applicable laws including LODR Regulations.

## **8 APPOINTMENT CRITERIA FOR THE BOARD AND OTHER EMPLOYEES**

### **8.1 For the Board**

#### **8.1.1 Appointment Criteria**

##### **8.1.1.1 *Managing Director/Whole-Time Director***

- a. The Managing Director/whole-time director shall be appointed as per the applicable provisions of Act and rules made there under and the Listing Regulations.

- b. The person to be appointed will be assessed against a range of criteria which shall include but shall not be limited to qualifications, skills, industry experience, fit & proper, background and other attributes required for the said position.
- c. The Managing Director/whole-time director shall have all the powers and authorities as prescribed by the Board of Directors and as provided in the Articles of Association and applicable provisions of the Act. The Managing Director/whole-time director will be overall in-charge of the business, administration and other affairs of the Company subject to the superintendence, control and directions of the Board of Directors and he shall guide, control and supervise the employees of the Company, their functions, the business carried on by the Company and all administrative matters.

#### 8.1.1.2 **Non-Executive Director**

- a. The non-executive director shall be appointed as per the applicable provisions of the Act and rules made there under and the Listing Regulations.
- b. The person to be appointed shall be assessed on various parameters such as qualification, relevant experience and expertise, integrity, skill sets etc. The person considered to be appointed as a non-executive director should possess relevant expertise which will help the person to act objectively and constructively.

#### 8.1.1.3 **Independent Director**

- c. The Independent Director shall be appointed as per the applicable provisions of the Act and rules made there under and the Listing Regulations.
- a. For every appointment of an Independent Director, the Committee 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 Independent Director. The person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - i. use the services of an external agencies, if required;
  - ii. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - iii. consider the time commitments of the candidates.
- b. The appointment, re-appointment or removal of an Independent Director of the Company, shall be subject to the approval of shareholders by way of a special resolution.
- c. The Independent Director shall be a person who is eligible under the “Board’s Independence Statement” as given in **Annexure-2**.

#### 8.1.2 **Nomination Process:**

- 8.1.2.1 The Committee shall be responsible to review the structure, composition and diversity of the Board and make recommendations to the Board on any proposed changes/ new appointments to complement the Company's objectives and strategies. Policy on Diversity of Board of Directors is given at **Annexure 1**.
- 8.1.2.2 The Committee shall ensure that the Board has appropriate skills, professional knowledge, characteristics and experience in diverse fields like finance, banking, insurance, economics, corporate laws, administration, etc. required as a whole and by its executive directors, non- executive directors and independent directors in their individual capacity.
- 8.1.2.3 The Committee may on annual basis review the appropriate skills, knowledge and experience required for the Board as a whole and its individual Directors.
- 8.1.2.4 The Committee shall while identifying and selecting suitable candidates for fresh appointment/ re-appointment/ filling up casual vacancy shall inter-alia consider the

following criteria:

- a. Consider educational and professional background and personal achievements;
- b. Consider individuals who are appropriately qualified, based on their talents, experience, functional expertise and personal skills, character and qualities;
- c. Consider criteria that promotes diversity, including gender, age and relevant background;
- d. Engage qualified independent external advisors, if required, to assist the Committee in conducting its search for candidates that meet the criteria as laid down herein regarding the skills, experience and diversity.

8.1.2.5 The proposed appointee shall also fulfil the following requirements:

- a. Shall possess a Director Identification Number (“DIN”);
- b. Shall not be disqualified under the Act;
- c. Shall give his written consent to act as a Director;
- d. Shall endeavour to attend all Board meetings and wherever he is appointed as a Committee Member, the Committee Meetings;
- e. Shall abide by the Code of Conduct established by the Company for Directors and Senior Management personnel;
- f. Shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his shareholding, Committee membership/chairmanship at the first meeting of the Board in every financial year.
- g. Such other requirements as may be prescribed, from time to time under the Act and other relevant laws.

8.1.2.6 Upon receiving the consent to act as a Director, the profile of the person proposed to be appointed as a Director, shall be placed before the Board for its consideration and approval.

8.1.2.7 As per the provisions of the Act, appointment of Directors by the Board shall be placed before the shareholders for their approval.

8.1.3 **Fit and Proper Criteria:** At the time of appointment/re-appointment of the Directors, the Company shall be required to follow the due diligence process as stated in the Company’s Policy on Fit and Proper criteria for the Directors, as updated from time to time.

8.1.4 **Term and Tenure:**

- a. Managing Director/ whole-time director the Company shall appoint or re-appoint any person as its Managing Director or whole-time director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
- b. 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. No Independent Director shall hold office for more than two consecutive terms of up to 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.

8.1.5 **Resignation/Removal:** An Independent Director who resigns or is removed from the Board of Directors of the listed entity shall be replaced by a new Independent Director by the Company at the earliest but not later than the immediate next meeting of the Board of Directors or three months, from the date of such vacancy whichever is later. Provided that where the Company fulfils the requirement of Independent Directors in its Board of Directors without filling the vacancy created by such resignation or removal, the requirement of replacement by

a new Independent Director shall not apply.

## **8.2 For the Employees**

### **8.2.1 Key Managerial Personnel (KMP) and Senior Management personnel**

- 8.2.1.1 Section 203 of the Act provides for appointment of whole-time Key Managerial Personnel. Such personnel shall be appointed by means of resolution of the Board containing the terms and conditions of such appointment.
- 8.2.1.2 The Key Managerial Personnel and Senior Management personnel should comprise of individuals with appropriate mix of skills, experience and personal attributes. The said employees should be adept and understand the business and the environment in which the Company operates and perform towards the achievement of Company objectives and goals.
- 8.2.1.3 For the appointment of Key Managerial Personnel and Senior Management personnel, the following criteria shall be considered:
- a. Assessing the appointee against a range of criteria which includes but not limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the respective position,
  - b. The extent to which the appointee is likely to contribute to the overall effectiveness of the organization, work constructively with the existing team and enhance the efficiencies of the Company;
  - c. Personal specifications like degree holder in relevant disciplines; experience of management in a diverse organization; excellent interpersonal, communication and representational skills; demonstrable leadership skills, commitment to high standards of ethics, personal integrity and probity, commitment to the promotion of equal opportunities and skills must also be considered.
- 8.2.1.4 The appointments of one level below the executive director shall be within the ambit of the Committee and the Committee shall be duly informed on the appointments at the Senior Management Personnel level and above.

### **8.2.2 Other Employees**

- 8.2.2.1 The Company shall recruit individuals with high level of integrity and having desired qualification, skill sets and experience relevant to the Company's requirements for the specific position for which such individual is interviewed.

## **9 REMUNERATION CRITERIA FOR THE BOARD AND THE EMPLOYEES**

### **9.1 Remuneration paid to Executive Directors**

- 9.1.1 The remuneration paid to executive directors is recommended by the Nomination and Remuneration Committee and approved by the Board in the Board meetings and such other authorities, as the case may be.
- 9.1.2 At the Board meeting, only the non-executive and Independent Directors participate in approving the remuneration paid to the executive directors. The remuneration is arrived by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the company. The elements of the remuneration and limits are pursuant to the Sections 178, 197 and Schedule V of the Act.
- 9.1.3 Remuneration for the Executive Directors consists of a fixed component and a variable component linked to the long-term version, medium term goals and annual business plans.

- 9.1.4 **Remuneration Policy Structure** - The remuneration structure for the executive Directors would include the following components:-
- 9.1.4.1 **Basic Salary** - Provides for a fixed, per month, base level remuneration to reflect the scale and dynamics of business to be competitive in the external market.
- Are normally set in the home currency of the Executive Director and reviewed annually.
  - Will be subject to an annual increase as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors.
- 9.1.4.2 **Commission** –
- Executive Directors will be allowed remuneration, by way of commission which is in addition to the Basic Salary, Perquisites and any other Allowances, benefits and amenities. Subject to the condition that the amount of commission shall not exceed the thresholds provided under Companies Act 2013.
  - The amount of commission shall be paid subject to recommendation of the Committee and shall be subject to approval of the Board of Directors.
- 9.1.4.3 **Perquisites and Allowances** - A basket of Perquisites and Allowances would also form a part of the remuneration structure.
- 9.1.4.4 **Contribution to Provident and Other funds** in addition to the above, the remuneration would also include: -
- Contribution to Provident and Superannuation Funds
  - Gratuity
- 9.1.4.5 **Minimum Remuneration** - If in any financial year during the tenure of the Executive Directors, the company has no profits or its profits are inadequate, they shall be entitled to, by way of Basic Salary, Perquisites, allowances, not exceeding the ceiling limit of 2,00,000 per month, and in addition hereto, they shall also be eligible for perquisites not exceeding the limits specified under the Act.
- 9.1.4.6 **Fees or Compensation** - The fees or compensation payable to Executive Directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if-
- the annual remuneration payable to such Executive Director exceeds rupees 5 (five) crore or 2.5 (two and a half) per cent of the net profits of the Company, whichever is higher; or
  - where there is more than one such Director, the aggregate annual remuneration to such Directors exceeds 5 (five) per cent of the net profits of the Company:
- Provided that the approval of the shareholders under this provision shall be valid only till the expiry of the term of such Director. For the purposes of this clause, net profits shall be calculated as per section 198 of the Act.

## **9.2 Remuneration payable to Non-Executive Directors and Independent Directors**

- 9.2.1 The Remuneration to the non-executive directors would be as per recommendations of the Committee and approval of the Board of Directors.
- 9.2.2 It would be pursuant to the provisions of sections 197 and 198 of the Act and Listing Regulations as relevant.
- 9.2.3 The Board of Directors shall recommend all fees or compensation, if any, paid to non-executive directors, including Independent Directors and shall require approval of shareholders in general meeting.
- 9.2.4 The requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Act for payment of sitting fees without approval of the Central Government.
- 9.2.5 The approval of shareholders mentioned in Clause 9.2.3, shall specify the limits for the maximum number of stock options that may be granted to non-executive directors, in any financial year and in aggregate.



- 9.2.6 The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single non-executive director exceeds 50 (fifty) per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof.

### **9.3 Remuneration Philosophy for Key managerial personnel, Senior Management & staff**

- 9.3.1 The compensation for the Key managerial personnel, Senior Management and staff at the Company would be guided by the external competitiveness and internal parity through annual benchmarking surveys.
- 9.3.2 Internally, performance ratings of all the Company's employees would be spread across a normal distribution curve.
- 9.3.3 The rating obtained by an employee will be used as an input to determine variable and merit pay increases.
- 9.3.4 Variable and merit pay increases will be calculated using a combination of individual performance and organizational performance.
- 9.3.5 Grade wise differentiation in the ratio of variable and fixed pay as well as in increment percentage shall be taken into consideration.
- 9.3.6 Compensation can also be determined based on identified skill sets critical to success of the Company. It is determined as per management's review of market demand and supply.
- 9.3.7 The Committee to ensure that the compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).

### **9.4 MALUS/ CLAWBACK**

9.4.1 A malus arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred. A clawback is 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.

Where any insurance is taken by the Company on behalf of its Directors, Managing Director, KMPs and Senior Management for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

9.4.2 The deferred compensation may be subject to malus / clawback arrangements in the event of subdued or negative financial performance of the company and/or the relevant line of business or employee misconduct in any year for a preceding period upto 3 years from such event.

## **10 DISCLOSURES UNDER CORPORATE GOVERNANCE REPORT:**

10.1 Regarding remuneration of directors:

- a. All pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company;
- b. Criteria of making payments to non-executive directors;
- c. Alternatively, this may be disseminated on the Company's website and reference drawn thereto in the annual report;
- d. Disclosures with respect to remuneration: in addition to disclosures required under the Act, the following disclosures shall be made:
  - i. All elements of remuneration package of individual Directors summarized under

- major groups, such as salary, benefits, bonuses, stock options, pension etc;
- ii. Details of fixed component and performance linked incentives, along with the performance criteria;
- iii. Service contracts, notice period, severance fees; and
- iv. Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.

## **11 RESTRICTIONS**

- 11.1 Independent directors shall not be entitled to any stock option.
- 11.2 No employee including Key Managerial Personnel or Director or promoter of the Company shall enter into any agreement for himself /herself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of the Company, unless prior approval for the same has been obtained from the Board of Directors as well as public shareholders by way of an ordinary resolution:
  - a. Provided that such agreement, if any, whether subsisting or expired, entered during the preceding three years from the date of coming into force of this sub-regulation, shall be disclosed to the stock exchanges for public dissemination.
  - b. Provided further that if the Board of Directors approve such agreement, the same shall be placed before the public shareholders for approval by way of an ordinary resolution in the forthcoming general meeting:
  - c. Provided further that all Interested Persons involved in the transaction covered under the agreement shall abstain from voting in the general meeting.

## **12 ANNUAL EVALUATION OF THE BOARD BY INDEPENDENT DIRECTORS**

- 12.1 The Independent Directors of the Company meet once on an annual basis. A formal evaluation of the Board and governance structure of the Company is carried out by the Independent Directors, basis and including but not limited to following evaluation criteria:
  - a. Board effectiveness and regular functioning
  - b. Meetings and procedures
  - c. Business strategy
  - d. Risk Management
  - e. Board and Committee communication
- 12.2 Feedback, if any provided is shared and discussed at meeting of the Committee and noted by the Board.

## **13 REVIEW AND MONITORING**

- 13.1 The information on recruitment and remuneration of senior officers just below the level of Board of Directors, including appointment or removal of chief financial officer and the company secretary shall be placed before the Board of Directors.
- 13.2 This Policy is subject to review from time to time to ensure effectiveness and as and when deemed necessary, including but not limited to change in Board processes, business structure, changes in law, etc.
- 13.3 Committee shall monitor the implementation of this policy and shall be responsible to ensure adherence to process requirements herein. The Committee shall also be responsible to

recommend changes in this Policy to the Board for its approval, from time to time.

- 13.4 In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy.
- 13.5 Any or all provisions of this Policy are subject to such alterations/ amendment/ revisions as may be notified under the Act and the Listing Regulations and/or issued by any relevant statutory authorities. In case any amendment/ clarification/ notification/ circular prescribed by any relevant statutory authority are inconsistent with any of the clauses of this Policy, then such amendment/ clarification/ notification/ circular shall prevail over clauses of this Policy and the Policy shall be deemed to be altered/ amended/ revised to that extent, which alteration/ amendment/ revision shall be effective from the date as laid down under the amendment/ clarification/ notification/ circular issued by any relevant statutory authority.

## Policy on Diversity of Board of Directors

### 1. Background

- 1.1. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires Nomination & Remuneration Committee of the listed entity to devise a policy on diversity of Board of Directors.
- 1.2. The Board of Directors of Vivriti Capital Limited ('Company') based on the recommendation of Nomination & Remuneration Committee has approved and adopted this policy on 10<sup>th</sup> August 2022 as annexure to the NRC Policy.

### 2. Definitions

- a. **"Board"** or **"Board of Directors"** shall mean the board of directors of the Company.
  - b. **"Company"** means Vivriti Capital Limited.
  - c. **"NRC"** or **"Committee"** means Nomination & Remuneration Committee.
  - d. **"Listing Regulations"** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
  - e. **"Policy"** means Policy on Diversity of Board of Directors.
- 2.1 Words or phrases not defined above or anywhere in this Policy shall have same meaning ascribed to them under Listing Regulations.
  - 2.2 Wherever appropriate in this Policy, a singular term shall be construed to mean the plural where necessary, and a plural term the singular. Similarly, any masculine term shall also be construed to mean the feminine or any other gender and vice versa.

### 3. Objective of the Policy

Regulation 19(4) read with Part D of Schedule II of Listing Regulations, as amended from time to time, the NRC of the Company is required to devise a policy for having diversity on the board of the Company. This Policy sets out a framework/ roadmap for achieving adequate diversity on the Board of the Company and individual skills and experiences, which can collectively benefit the organization and its goals.

### 4. Applicability

This Policy shall be applicable to all the members on the Board of the Company, as may be appointed from time to time.

### 5. Diversity on the Board

For a diversified Board, the following parameters should be considered:

- a. To encourage diversity on the Board;
- b. To organise programmes/ take steps to enhance the knowledge & skills of the Board of Directors, as a whole;
- c. To adopt best corporate governance practices for board related matters;
- d. To check on the required parameters for ensuring eligibility of an individual, which may include but not limited to eligibility criteria under applicable laws, experience in the relevant industry, skill set, expertise, background verification, etc.
- e. To ensure adequate combination of executive and non-executive directors, including independent directors on the Board, in line with the regulatory requirements, guidelines on Corporate Governance and other charter documents of Company;
- f. Zero tolerance to inappropriate actions/ practices such as discrimination on the grounds of gender, race, nationality, etc.

#### **6. Roles & Responsibilities of NRC**

- a. The Committee shall ensure the adequacy of composition of the Board and also assess the performance of the Board, as well as identifying appropriately qualified persons to occupy Board positions, as and when required;
- b. To ensure adherence of eligibility criteria by an individual as per the regulatory provisions;
- c. To ensure diversity on the Board of the Company in terms of skill sets, experience, expertise, gender, etc.
- d. In case of appointment of independent director on the Board, the Committee shall perform due diligence to ensure his independence;
- e. To review periodically and apprise Board, if in case action needs to be taken for ensuring adherence of this Policy.

#### **7. Review**

This Policy shall be modified/ amended/ reviewed by the NRC or Board, at such intervals, as may be required.

## **Board's Independence Statement**

An independent director in the company's board of directors, is a person from outside the organization with the objective of improving the company's performance through new insights and a balanced & objective view of the company's health and operations. Their experience may also be beneficial in relation to specific expertise and their statutory roles & responsibilities bestowed upon such person through applicable statutes.

The Nomination & Remuneration Committee has formulated the criteria for the Board's independence based on the stipulated criteria under Section 149 (6) of the Companies Act, 2013 and Regulation 16 (1) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The NRC undertakes necessary process under the applicable laws for ascertaining independence before appointing an independent director.

All the Independent Directors in VCL's Board must give necessary declarations/disclosures laid down in the Companies Act , 2013 and the SEBI LODR Regulations, 2015, and have to confirm that they will discharge their duties in line with the applicable laws. These declarations are placed before the Board and duly taken on record.

## **Board Independence Criteria**

### **I. Under Section 149 (6) of the Companies Act, 2013**

An independent director in relation to a company, means a director other than managing director or a whole-time director or a nominee director —

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

(b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;  
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company

(c) who has or had no [pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed,] with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

(d) none of whose relatives—

(i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year: Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

(ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or

(iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);]

(e) who, neither himself nor any of his relatives—

(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

[Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.]

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(f) who possesses such other qualifications as may be prescribed.

## **II. Regulation 16 (1) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

"Independent director" means a non-executive director, other than a nominee director of the listed entity:

(i) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;

(ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company [or member of the promoter group of the listed entity];

(iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;

(iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the [three] immediately preceding financial years or during the current financial year;

(v) none of whose relatives—

[ (A) is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;

(B) is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;

(C) has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or

(D) has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income:

Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.]

(vi) who, neither himself ["/herself], nor whose relative(s) —

(A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company [or any company belonging to the promoter group of the listed entity,] in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed:

[Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.]

(B) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —

(1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or

(2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

(C) holds together with his relatives two per cent or more of the total voting power of the listed entity; or

(D) is a chief executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;

(E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;

(vii) who is not less than 21 years of age.

[(viii) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director:]

[Explanation- In case of a 'high value debt listed entity':

(a) which is a body corporate, mandated to constitute its board of directors in a specific manner in accordance with the law under which it is established, the non- executive directors on its board shall be treated as independent directors;

(b) which is a Trust, mandated to constitute its 'board of trustees' in accordance with the law under which it is established, the non-employee trustees on its board shall be treated as independent directors.]