A. K. CAPITAL FINANCE LIMITED

BUILDING BONDS

Nomination and Remuneration Policy

Adopted/Amendment of the Policy	Board Meeting Date(s)
Adoption of the Policy	October 03, 2014
Amendment of the Policy	October 25, 2021
Amendment of the Policy	October 28, 2022
Amendment of the Policy	May 11, 2024
Amendment of the Policy	August 5, 2024
Amendment of the Policy	February 03, 2025
Amendment of the Policy	May 17, 2025
Amendment of the Policy (in line with the consolidation of directions/ circulars by RBI)	January 31, 2026

Last reviewed on May 14, 2026

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1. INTRODUCTION:

The only vital value an enterprise has is the experience, skills, innovativeness and insights of its employees. A. K. Capital Finance Limited (the "**Company**") believes in transparency in evaluating the performances of its Directors, Key Managerial Personnel's (KMPs), Senior Management and other employees of the Company and paying equitable compensation to them. The Company recognizes its Directors, Key Managerial Personnel (KMP), Senior Management and its employees as an invaluable asset.

As a part of a good Corporate Governance and in compliance with the Section 178 and Schedule IV of the Companies Act, 2013 and pursuant to the Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions and other relevant Directions including all other applicable rules, regulations, guidelines and laws (including any amendments thereto or re-enactments thereof for the time being in force) the Nomination and Remuneration Committee ("**NRC**") of the Board formulated and the Board of Directors of the Company have reviewed and approved the Nomination and Remuneration Policy of the Company.

The responsibility of Remuneration Committee as per the RBI Governance Directions shall be assigned to the NRC of the Board formed in compliance with the applicable provisions of Section 178 of the Companies Act, 2013.

2. OBJECTIVES OF THE POLICY:

The key objectives of the Policy would be:

a) Formulate the criteria for determining qualifications, positive attributes and independence of a director.

b) That the level and composition of compensation is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;

c) That the relationship of compensation (Fixed, Variable and Bonus) to performance is clear and meets appropriate performance benchmarks;

d) That the compensation to Directors, Key Managerial Personnel (KMPs), Senior Management and other employees of the Company 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;

e) To formulate criteria for evaluation of annual performance of the Board as whole, Committees of the Board, Directors (Executive Non Executive and Independent), , Chairperson of the Board, KMPs, Senior Management of the Company and recommend compensation payable to them to the Board;

f) To lay the principles for fixed/ variable pay structures for Senior Management and KMPs.

g) To decide 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.

h) Identify persons who are qualified to become Directors Key Managerial Personnel ("**KMPs**"), Chief Compliance Officer and who may be appointed as Senior Management Personnel ("**SMP**") in accordance with the criteria laid down and recommend to the board of directors their appointment and removal.

i) To retain, motivate and promote talent and to ensure their sustainability.

3. DEFINITIONS:

a) ***'Act'*** means the Companies Act, 2013 and the rules framed thereunder (as amended from time to time)

b) ***'Board of Directors'*** or '***Board'*** in relation to a company, means the collective body of the directors of the company

c) '***Director'*** means a director appointed to the Board of a company

d) ***'Independent Director'*** means an independent director referred to in sub-section (5) of section 149 of the Companies Act, 2013

e) ***'Key Managerial Personnel'*** means

i. Managing Director, or Chief Executive Officer or Manager and in their absence a Whole-Time Director;
ii. Chief Financial Officer;
iii. Company Secretary.
iv. Such other officer, not more than one level below the Directors who is in whole-time employment designated as KMP by the Board of Directors of the Company; and
v. such other officer as may be prescribed

f) ***'Policy'*** means Nomination and Remuneration Policy of the Company.

g) ***'Senior Management' or 'Senior Management Personnel'*** *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 executive directors, including the functional heads,.*

h) " **RBI Governance Directions**" means Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions [including any amendments or re-enactments thereof]

i) ***'CCO'*** or '***Chief Compliance Officer'*** *as defined by RBI in its Circular on Compliance Function and Role of Chief Compliance Officer (CCO) – NBFCs dated April 11, 2022 read with Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs dated October 22, 2021*

Any term(s) and, or expression(s) not defined in this Policy shall have the same meaning as defined in the applicable provisions of the Act, Scale Based Regulations and other applicable laws and/ or regulation.

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.

4. EFFECTIVE DATE

This policy shall be effective from the Financial Year 2014-2015.

5. APPLICABILITY OF THE POLICY

This Policy is applicable to:

a) Directors viz. Executive, Non-executive and Independent
b) Key Managerial Personnel
c) CCO
d) Senior Management Personnel
e) Official forming part of any committee.

6. NOMINATION AND REMUNERATIONREMUNERATION COMMITTEE OF THE COMPANY

a) The NRC of the Board shall comprise of at least three Directors, all of whom shall be Non-Executive Directors of which not less than one-half of the members shall be Independent Directors. The Chairperson of the Committee shall be an Independent Director. Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

b) The Committee shall identify persons who are qualified to become directors, CCO and who may be appointed in Senior Management, in accordance with the criteria laid down and recommend to the Board of Directors their appointment and removal.

c) The Committee shall recommend to the Board the appointment and removal of the Directors and Key Managerial Personnel ("KMP"), CCO and Senior Management Personnel ("SMP") of the Company including their remuneration.

d) The Committee shall formulate the criteria for determining the qualifications, positive attributes and independence of a director.

e) To ensure there is an appropriate induction in place for new directors, SMP and KMP.

f) Lay down the criteria for performance evaluation of all Board as whole, Committee of the Board, Directors (including Independent Directors), key managerial personnel senior management personnel and Chairperson of the Board.

g) The Chairperson of the Committee or in his absence any other member of the Committee as authorized by him in this behalf shall attend the General Meetings of the Company.

h) The Committee shall devise a policy on diversity of board of directors;

i) The Committee shall monitor the implementation of this policy and shall timely review this policy and recommend amendment in the policy to the Board of Directors as and when required.

j) To decide on the commission of the Directors and/or other incentives payable, taking into account the individual's performance as well as that of the Company, if any.

k) Recommend to the Board, all remuneration, in whatever form, payable to senior management.

l) The NRC will actively oversee the compensation system's design and operations to ensure that the system operates as intended and is also consistent with the principles outlined by the RBI.

m) The NRC shall work in close coordination with Risk Management Committee to achieve effective alignment between compensation and prudent risk-taking.

n) The NRC shall ensure that the cost to income ratio of the Company supports the compensation consistent with maintaining sound capital adequacy ratio.

o) 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 by an independent director.

p) The NRC shall have supervisory oversight regarding implementation of compensation practices and policies of the Company and Human Resource Department will administer the compensation policy by following rules and processes that are objective and transparent. The Company will ensure complete compliance with all disclosure norms as prescribed by the various statutes relevant to the NBFC sector and industry in general.

q) The specific criteria for Malus and Claw back will be reviewed by the NRC annually.

r) The performance parameters & final payout for Cash based incentives and share-linked incentives would be fixed by NRC/ Board every year.

7. VOTING

a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

8. APPOINTMENT AND QUALIFICATION CRITERIA FOR DIRECTOR, KMP, CCO AND SENIOR MANAGEMENT

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

b) A person should possess adequate qualification, expertise and experience for the position he/ she is considered for appointment. The Committee shall have the discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/ satisfactory for the concerned position.

c) Appointment of Independent Directors is subject to compliance of provisions of section 149 of the Companies Act, 2013, read with schedule IV & rules thereunder, RBI Governance Directions / Guidelines/ Circulars, and such other applicable provisions of any applicable law.

d) The Company shall not appoint or continue employment of any person as Managing Director or Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

e) KMPs of the Company shall not hold any office (including directorships) in any other NBFC-Middle Layer or NBFC-Upper Layer except for directorship in the subsidiary company in pursuance to applicable Scale Based Regulations.

f) An independent director shall not be on the Board of more than three NBFCs (NBFCs-Middle Layer or NBFCs-Upper Layer) at the same time. Further, the Board of the Company shall ensure that there is no conflict arising out of their independent directors being on the Board of another Company at the same time.

9. 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 with respect to removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Act, rules and regulations.

The CCO can be transferred / removed before completion of his/ her tenure only in case of exceptional circumstances with the prior approval of the Board/ Board Committee and after following the transparent internal administrative procedure.

10. RETIREMENT

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

11. EVALUATION OF EVERY DIRECTOR'S PERFORMANCE

a) The Nomination and Remuneration Committee shall carry out evaluation of performance of every Director at regular interval (yearly).

b) The performance evaluation of the Directors of the Company shall be done by the Nomination and Remuneration Committee wherein the Director being evaluated shall not participate.

12. TERM/ TENURE

I. Managing Director/Whole-time Director:

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

II. Independent Director:

a) 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 for another five consecutive years on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

b) No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

III. Chief Compliance Officer:

The CCO shall be appointed for a minimum fixed tenure of not less than 3 years. In exceptional cases the minimum tenure may be relaxed by one year by the Board/ Board Committee, provided appropriate succession planning is put in place.

13. SEPARATE MEETING OF INDEPENDENT DIRECTORS

The Independent Directors of the Company shall hold a separate meeting at least once in year without the attendance of Non-Independent Directors of the Board and Members of Management. All the Independent Directors of the Company shall strive to be present at the meeting.

The meeting shall review the performance of the Non-Independent Directors and the Board as a whole and the Chairperson of the Company taking into account the views of the Executive and Non-Executive Directors.

The meeting shall also assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the board to effectively and reasonably perform their duties.

14. PROVISIONS RELATING TO COMPENSATION OF MANAGERIAL PERSON, KMP AND SENIOR MANAGEMENT

I. General:

1. The remuneration / compensation / commission etc. to KMP and Senior Management Personnel will be determined by the Managing Director/s of the Company. The Committee may instruct the Managing Director to place the report covering the remuneration fixed for KMP and Senior Management Personnel, as and when required.

2. The remuneration and commission to be paid to Managing Directors, Whole Time Directors, Executive Directors and Managers (the "**Managerial Person**") shall be as per the statutory provisions of the Act, and the rules made there under for the time being in force.

3. In case of Managerial Person, increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders.

4. Where any insurance is taken by the Company on behalf of its Managerial Person, KMP and any other employees 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. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

II. Guidelines for Compensation to Managerial Person, KMP and Senior Management:

a) **Fixed pay:**

Managerial Person, KMP and Senior Management shall be eligible for a monthly Compensation as may be approved by the Board, based on the recommendation of the Committee in accordance with the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F., medical expenses, etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders.

b) Variable Pay:

The variable pay may be in the form of share linked instruments or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.

The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of KMPs/ senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and companywide level. In order to do so, performance measures and their relation to Compensation packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.

The Committee post assessment of the performance shall approve the variable pay which may be paid immediately or certain portion of variable pay, as decided by the Board of the company, may be deferred to time horizon of the risks Components and risk alignment. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement may be decided by the Board.

The Compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices. The compensation packages may comprise of fixed and variable pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

c) Guaranteed bonus:

Guaranteed bonus may not be paid to KMPs and senior management. However, in the context of new hiring joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

d) **Minimum Compensation:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay Compensation to its Managerial Person in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the prior approval of the Central Government.

e) **Provisions for excess Compensation:**

If any Managerial Person draws or receives, directly or indirectly by way of Compensation any such sums in excess of the limits prescribed under the Act, 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.

III. Guidelines for Compensation to Non-Executive / Independent Director:

1. **Compensation / Commission:**

   The Compensation / commission shall be in accordance with the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force.

2. **Sitting Fees:**

   The Non- Executive / Independent Director may receive Compensation by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee.

3. **Limit of Compensation /Commission:**

   Compensation /Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

4. **Stock Options:**

   An Independent Director shall not be entitled to any stock options, if any of the Company.

15. CONTROL AND ASSURANCE FUNCTION PERSONNEL:

KMPs and senior management engaged in financial control, risk management, compliance and internal audit may be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the company. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay.

16. MALUS / CLAWBACK:

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. NRC shall identify the vent of subdued or negative financial performance of the Company or any such events wherein immediate attention is required towards implementation Malus/Clawback arrangements. It shall be implemented with the approval of Committee. Compensation will be aligned to both financial and non-financial indicators of performance including controls like risk management, process perspective, customer perspective and others.

- Acts of gross negligence and integrity breach shall be covered under the purview of the compensation policy. Errors of judgment shall not be construed to be breaches under this note.
- The deferred part of the variable pay (performance bonus) will be subject to malus, under which, the Company will prevent vesting of all or part of the variable pay in the event of an enquiry determining gross negligence or integrity breach.

- Employees will be required to sign claw back agreements for the variable pay. In a claw back arrangement, the employee will agree to return, in case asked for, the previously paid variable pay to the Company in the event of an enquiry determining gross negligence or integrity breach, taking into account relevant regulatory stipulations.

The invocation of the malus and clawback clauses may be applicable on entire variable pay. While setting criteria for the application of malus / clawback, the Committee may also specify a period during which malus and/or clawback can be applied, covering at least the deferral and retention periods.

17. REVIEW / AMENDMENT OF THE POLICY:

The Board may amend this Policy as and when deemed fit. This Policy shall subject to review by the Board, at least on an annual basis.

The Company shall reserve the right to review and make amendment to this Policy from time to time as it deems fit in accordance with the applicable laws, rules and regulations for the time being in force. In the event of any conflict between the provisions of this Policy and the Act, Listing Regulations or Scale Based Regulations or any other statutory enactments, the provisions of such Act, Listing Regulations or Scale Based Regulations or statutory enactments shall prevail over this Policy. An interim review and amendment can also be carried out to accommodate minor changes, if any, on regulatory and operating front by the Compliance Officer of the Company.

The Policy shall also be published on the official website of the Company.

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