



Sitara[®]
A SEWA INITIATIVE

Remuneration Policy

1. Introduction

The Remuneration Policy (“Policy”) of **SGRL** is formulated under the requirements of applicable laws, including the Companies Act, 2013.

SGRL/ Sitara has been established with the core objective of providing housing finance to women and their families engaged in informal sector trades. Thus, this Policy has been drafted in alignment with the mission of the Organisation.

The Policy is intended to set out criteria to pay equitable remuneration to the Directors (executive/non-executive/independent, Key Managerial Personnel (KMP), senior management and other employees of the Company and to harmonise the aspirations of human resources with the goals of the Company.

The Policy reflects the Company's objectives for good Corporate Governance as well as sustained long-term value creation for Stakeholders and also for the Management team.

2. Objective and Purpose

This policy should be read in conjunction with the HR Policy and Manual of the Company. The objectives and purpose of this Policy are:

- To determine remuneration based on the Company's business outlook, financial position, growth and trends and practices on remuneration prevailing in competitive compensation.
- To 'Pay for Performance' i.e. the remuneration shall be linked to the performance and to strike the right balance between fixed and variable pay reflecting short- and long-term performance objectives appropriate to the goals of the company.
- To ensure compliances and maintain high standards to governance

3. Current Structure for Approval: Constitution of Nomination & Remuneration Committee

Since the beginning of Company's Operations in 2015 and as per directives of the Company's Act, the Board has constituted Nomination & Remuneration Committee (NRC) comprising of Independent Directors, a Promoter Director and Nominee Directors.

- As delegated by the Board, the terms of reference of the NRC empowers the Committee to formulate the Compensation Structure, Pay Bands, annual performance evaluation of Director with executive power (In this case Managing Director), KMPs and also the yearly increments, incentives and variable pay.
- Basis the ESOP scheme approved by the Shareholders, The NRC has also been authorised by the Shareholders upon the recommendation of the Board to decide

on the quantum of allotment of ESOPs to KMPs and other eligible team members as well as its terms of granting of such Options.

Therefore, the above purposes as mentioned at point no. 2, are to be attained by including review and approval of corporate goals, business projections and objectives relevant to the compensation of the Managing/ Executive Director(s), evaluating his/her/their performance in light of those Corporate Goals & business performance targets by Nomination & Remuneration Committee, determine and approve Managing Directors' compensation based on this evaluation. With a view to remain relevant with changing market dynamics, from time to time, the NRC also reviews the prevailing market practices and peer group bench marking to revise the Compensation structure and pay bands.

Moreover, at present the process followed for the compensation structure, its annual evaluation based on the performance and recommendation of the increments of KMPs and rest of the team, MD & CEO recommends the same to the NRC while considering the Business targets, performance on measurable indicators, market situation and potential to contribute towards Company's goals.

Remuneration paid to Executive Directors and Non-Executive Directors

- The remuneration paid to Executive and Non-Executive Directors shall be recommended by the Nomination and Remuneration Committee and to be approved by the Board of Directors, subject to the subsequent approval by the shareholders at the general meeting.
- The remuneration for Executive Directors shall be arrived by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry, future contribution and the financial position of the Company. The elements of the remuneration and limits are as per Sections 178, 197 and schedule V of the Companies Act 2013.
- The remuneration of Executive Directors shall be divided into two components i.e. fixed and variable. The fixed component comprises salary, allowances, perquisites, Provident Fund, gratuity etc. The variable component comprises annual performance pay which may be a fixed amount or % of profits as prescribed under the Companies Act 2013 and recommended by the Nomination & Remuneration Committee and approved by the Board and Shareholders in accordance to the applicable provisions of the Companies Act 2013. In addition to this, the Executive Directors may also be offered and allotted shares under the Employee Stock Options Scheme (ESOP) of the Company.
- 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 paid the remuneration

as decided above, as the minimum remuneration in terms of Section 197 read with Schedule V to the Companies Act, 2013, with the approvals of shareholders.

- The Independent Directors and Non-Executive Directors shall be entitled to receive sitting fees and such other remuneration as may be permissible under the Companies Act, 2013. The amount to be paid as sitting fees shall be recommended by the Nomination and Remuneration Committee and approved by the Board. Independent Directors shall not be entitled to any remuneration or stock options.

4. GUIDING PRINCIPLES – Key Management Personnel Compensation

The fundamental and overriding objective is to create value for the Company's shareholders at leadership levels on a consistent long-term basis. To accomplish this goal, the global guidelines on executive compensation programs provide the following guiding principles:

1. **Emphasize Pay for Performance** Aligning incentives with business strategies to reward executives who achieve or exceed Company, business unit, and individual goals, while discouraging excessive risk-taking by removing any incentive to focus on a single performance goal to the detriment of others.
2. **Pay Competitively** Set target compensation opportunities to be competitive with other corporations of similar size, value, and complexity.
3. **Focus on Long-Term Success** Include equity as a cornerstone of our executive pay programs and by using a combination of short-term and long-term incentives to ensure a strong connection between Company performance and actual compensation realized.

5. REMUNERATION OF, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT (“EXECUTIVE EMPLOYEE”) & STAFF

The MD will determine KMP staff management's and other employee's yearly remuneration criteria in consultation with relevant Department/vertical head and recommend the same to the NRC, using the above guiding principles

- **SALARY**- Each executive employee will be entitled to receive a salary which will be competitive and based on executive's responsibilities and performance. The remuneration structure is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, PF etc. The variable component comprises annual performance of the Individual employee and Company's performance as a whole. In addition to this, the Company also

has an Employee Stock Option Plan (ESOP), pursuant to which, equity shares of the Company may be offered and allotted to above mentioned employees.

- **INCENTIVES** - Based on the achievement of, predefined financial and strategic business targets presented, each employee will be entitled to receive incentive as decided by the Management, from time to time.
- **SEVERANCE PAY AND PENSION CONTRIBUTION** - As per employment terms. As of now, there are no pension plans for any employees.
- **OTHER BENEFITS**- All employees will be entitled to insurance policy (s), and such other benefits as the Company may provide from time to time.

The NRC committee will annually ratify the remuneration of the key Management Personnel and decide the annual increments for KMPs. As regards to the other staff members, NRC will provide a general guidance on annual fixed pay increment and variable pay increment linked to performance.

Performance Evaluation – Performance Management System

Keeping in view the mandates under Companies Act, 2013, the performance evaluation of Non-Executive Directors, Managing Director and CEO, Chairman, Directors shall be carried out by NRC and Board.

The evaluation of rest of KMPs, Senior management and Staffs shall be carried out annually and promotions / incentives / increments shall be based on performance basis.

8 . REPORTING AND DISCLOSURE

8.1 The Company shall disclose in the Board's report such details regarding remuneration and ESOP allocation to Directors or other employees as mandated under Companies Act 2013 or any other law applicable on the Company.

8.2 The NRC is responsible for approving the remuneration strategy for directors, executive, senior management and other staff. In determining whether to approve the relevant level of remuneration, the NRC is to consider the recommendations from the MD & CEO, prevailing market conditions, performance by the individual and the business strategies and objectives of the Company.

9. COMPLIANCE AND REVIEW

The Human Resources department of the Company will monitor the day to day compliance with this Policy and submit the report to the Managing Director and CEO.

Basis the above, the MD & CEO will review the Policy on annual basis and present points for amendments / modifications to the NRC. Very importantly, any relevant guidelines,

directives issued by RBI and or NHB from time to time will be considered while reviewing the Policy and accordingly the same will be incorporated on receiving necessary approval. On case-to-case basis, NRC will approach the Board with its recommendations for final approval.