

**COMPENSATION & REMUNERATION POLICY FOR**  
**DIRECTORS, KEY**  
**MANAGERIAL PERSONNEL (KMPs) AND**  
**SENIOR MANAGEMENT PERSONNEL**  
**(SMPs)**  
**Fusion Finance Limited**  
**(Formerly Fusion Micro Finance Limited)**

*Last approved on: February 12, 2025*

## **Compensation & Remuneration Policy for Directors, Key Managerial Personnel (KMPs) and Senior Management Personnel (SMPs)**

### **1. Introduction**

Fusion Finance Limited (“Company”) recognizes the importance of aligning the business objectives with specific and measurable individual objectives and targets. The Company has always adopted best practices to ensure good corporate governance. The Company has therefore formulated the compensation & remuneration policy for its directors, key managerial personnel and senior management etc. as per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 and as laid down in Section 178 of the Companies Act, 2013 read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) (“Listing Regulations”).

This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal of directors and senior management and evaluation of performance of the Directors.

This Nomination and Remuneration Policy is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto, Listing Regulations. This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee (“NRC” or “the Committee”) and has been approved by the Board of Directors. The policy stipulates the principles for finalizing the remuneration & compensation in order to attract and retain the best seasoned talent on the Board, Senior Management & Key Managerial Personnel of the Company as per the parameters formulated by the Nomination and Remuneration Committee.

### **2. Definitions**

“**Act**” means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

“**Board of Directors**” or **Board** means Board of Directors of the Company.

“**Committee**” means Nomination and Remuneration committee of the company as constituted or reconstituted by the board.

“**Company**” means “Fusion Finance Limited”.

“**Key Managerial Personnel**” means:

1. Chief Executive Officer, or the Managing Director or the Manager;
2. Company Secretary;
3. Whole-Time Director;
4. Chief Financial Officer;
5. Compliance Officer;
6. 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
7. Such other officer as may be prescribed.

**“Senior Management”** shall mean the officers and personnel of the company who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as key managerial personnel, other than the board of directors, by the company. The term ‘senior management’ shall be read in accordance with the definition provided under Section 178 of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and RBI guidelines relating to compensation of KMPs and senior management in NBFCs, as may be amended from time to time.

**“Policy or This Policy”** means Compensation and Remuneration Policy.

**Risk Management Committee (RMC):** Means a Committee of the Board of Directors of the Company constituted under the provisions of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and applicable RBI guidelines, as may be amended from time to time.

**Nomination and Remuneration Committee (NRC):** Means a Committee of the Board of Directors of the Company constituted under the provisions of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and applicable RBI guidelines, as may be amended from time to time.

**Malus:** Malus arrangement permits the Company to prevent vesting of all or part of the deferred remuneration. It does not reverse vesting after it has already occurred.

**Clawback:** 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.

### 3. Objective:

The objective of this Policy is to regulate the appointment, compensation and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP) and Senior Management Personnel as applicable in accordance with criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of the Companies Act, 2013 read with applicable Rules and Regulations under the Act and Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, Guidelines issued by Reserve Bank of India from time to time and other applicable guidelines.

### 4. Principles

The key principles of this policy are as under:

- a. Establish standards on compensation / remuneration including fixed and variable pay - covering share linked instruments, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry. Also ensure that the relationship between the Compensation & Performance reflects short and long-term objectives & goals of the Company.
- b. Ensure compliance with applicable laws, rules and regulations as well as ‘Fit and Proper criteria’ of Directors, KMPs, members of Senior Management before their appointment.
- c. To develop a succession plan for the Board and to regularly review the plan;
- d. Attract, motivate, promote, and retain talent and to ensure long term sustainability of talented

- Directors, KMPs and members of Senior Management. Also, to formulate criteria for determining integrity, expertise, experience, qualifications, positive attributes and independence of directors.
- e. Define internal guidelines for payment of other reimbursement to the Directors, KMPs and members of Senior Management.
  - f. Building a mechanism and overall monitoring of the appointment/ removal/ resignation/evaluation of performance of Directors.
  - g. Perform such functions as required by the Nomination and Remuneration Committee under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, including the following:
    - (a) administering the ESOP plans;
    - (b) determining the eligibility of employees to participate under the ESOP plans;
    - (c) granting options to eligible employees and determining the date of grant;
    - (d) determining the number of options to be granted to an employee;
    - (e) determining the exercise price under the ESOP plans; and
  - h. To establish & monitor that the correlation between remuneration and performance is clear and meets the pre-determined performance parameters.
  - i. To ensure close coordination of NRC with RMC of the Company to achieve effective alignment between compensation and risks.
  - j. To ensure that the compensation packages, comprised of fixed and variable pay are aligned effectively with prudent risk taking and the compensation is adjusted for all types of risks, 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.
  - k. To ensure that compensation / remuneration 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).

## 5. Applicability

All the existing and any new appointments made on the Board of Directors, KMPs and Senior Management will be covered under this policy.

The policy shall be applicable to the following:

- a. Board of Directors,
- b. Key Managerial Personnel,
- c. Senior Management, and
- d. Other Employees as may be specified by the Board of Directors or the Nomination and Remuneration Committee from time to time.

## 6. Remuneration

The NRC Committee shall formulate the parameters to evaluate the performance and recommend to the Board, the fees, compensation/remuneration including fixed and variable pay, perquisites, commission, reimbursements, retirement benefits, severance pay, sitting fees, if any, along with other long-term benefits like ESOPs or other share linked instruments, payable to Directors (including non-executive Directors and independent directors, wherever applicable), the KMPs and Senior Management of the Company, subject to compliance with laws applicable & amended from time to time.

### 6. a. Remuneration to Board of Directors:

The Remuneration / Compensation / Commission / Sitting Fees etc. to be paid to the Board of Directors, including the Managing Director shall be governed by the applicable provisions of the Companies Act, 2013, the Rules made thereunder, including applicable SEBI Regulations & RBI Guidelines, as applicable and amended from time to time. The Committee shall ensure to establish an effective correlation between the compensation, business achievement, the risk parameters and objectives of the Company.

The Company shall not give loans and advances to an entity (company, firm, individual etc.) in which the Director is associated either as a director, partner, manager, guarantor, etc. Further, granting of loans and advances to Directors and their relatives, the KMPs & Senior Management shall be guided by the provisions of Companies Act, 2013, Rules made thereunder and applicable RBI Guidelines & SEBI Regulations, as amended from time to time.

#### **6. b. Remuneration to Independent Directors and Non-Executive Directors:**

Independent Director shall not be an employee of the Company and such association shall have the meaning as per the prevailing provisions of applicable laws and such association shall not constitute a contract of employment. The Company shall pay the Independent Director the sitting fees & reimbursements, if any, for attending meetings of the Board and its Committees, as may be decided by the Board, and Commission if any, as may be approved by the Shareholders under the applicable provisions of law as amended from time to time. Further, an Independent Director shall not be entitled for any Stock Options, under Employee Stock Option Plans (ESOPs).

The Company shall pay sitting fees to the non-executive directors and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013. Further, the Company may decide to pay remuneration by way of commission or others, if any, to the non-executive directors, subject to the compliance of various provisions of law as applicable & amended from time to time.

The Company shall make necessary disclosures in its Directors' Report forming part of the Annual Report of the Company.

#### **6. c. Remuneration to Key Managerial Personnel and Senior Management**

Compensation to KMPs and Senior Management shall be made reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices. The Compensation Packages shall comprise of fixed and variable pay components, aligned effectively with prudent risktaking, ensuring that compensation is adjusted for all types of risks, its outcomes are symmetric with risk outcomes, its 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.

i. **Fixed Pay:** All the fixed items of compensation, including perquisites that are reimbursable and are subject to monetary ceilings on these reimbursements, and contributions towards superannuation/retirement benefits, shall be treated as fixed pay. Monetary equivalent benefits of non-monetary nature such as free furnished house, use of company car etc., if any, also be part of fixed pay. The Fixed pay shall also include employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from time to time.

ii. **Variable Pay:**

a. **Composition:** The Variable Pay shall be in the form of share linked instruments, or a mix of cash and

share-linked instruments, in conformity with relevant statutory provisions.

- b. Proportion: The proportion of variable pay in total compensation shall 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 and there should be proper balance between the cash and share linked instruments. The variable pay should be based on performance at an individual and at Company level.
- c. Deferral of Variable Pay: Certain portion of variable pay (either cash and / or non-cash components), may be deferred to time horizon of risks. Quantum of variable pay which shall be deferred and the deferral period shall be decided by the NRC / the Board of Directors of the Company from time to time.
- d. 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. As such, compensation to such personnel may have higher proportion of fixed pay. However, a reasonable proportion of variable pay can form part of their total compensation, to exercise the options of malus and/or claw back, when warranted.

iii. **Guaranteed Bonus :**

Guaranteed bonuses are not consistent with the principles of the Company and may not be encouraged. However, in the context of new hiring, joining / sign-in bonus could be considered, the threshold limits of which shall be established and reviewed by the Board and / or NRC Committee from time to time. Such bonus will neither be considered part of fixed pay nor of variable pay.

## 7. Performance Evaluation Mechanism

In accordance with the relevant provisions of the Companies Act, 2013 read with relevant rules made thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in compliance of guidance note issued by SEBI, the Performance Evaluation of:

- the Board as a whole;
- its Committees;
- Individual Directors including Chairman;
- Independent Directors and Non-Independent Directors
- shall be carried out on annual basis as part of Corporate Governance.

The Nomination and Remuneration Committee (NRC) shall carry out the evaluation of performance of every Director. The evaluation of performance of the Independent Directors (IDs) shall also be carried out by the entire Board of Directors excluding the Director being evaluated based on qualifications, experience, knowledge and competency, fulfilment of functions, initiative, attendance, contribution and integrity, effectiveness of leadership, impartial and shareholders' interest, independence and other parameters.

## 8. Malus and/or Clawback

The deferred compensation may be subject to malus and/or clawback arrangements in the event of subdued / negative financial performance of the Company and/or the relevant line of business or

employee misconduct in any year.

An indicative list of situations where malus and clawback arrangements may be invoked are as follows:

- a. Exercise of his / her responsibilities / powers in a mala fide manner.
- b. Gross willful negligence in performing the duties and exercising the vested power(s);
- c. Willful misrepresentation of the figures, facts, data, situations etc. pertaining to the Company, before any statutory, regulatory, judicial, quasi-judicial bodies and any other such authorities;
- d. Breach of trust, integrity and/or agreement;
- e. Unfairly obstruct the functioning of the Company which may affect the material decision;
- f. Misuse of material information including un-published price sensitive information etc.
- g. Any other situation where the Board and / or NRC Committee deems invoking Malus and / or clawback provision necessary and justified.

Provided, errors of judgement shall not be construed to be negligence.

Once Board / Nomination and Remuneration Committee decides to invoke Malus and/or Clawback clause, it will have power to take any of the following action basis the nature and severity of trigger.

In case of Malus Clause:

- The Board / Committee may Cancel the vesting of cash and / or share linked component due for vesting in that particular year;
- The Board / Committee may Cancel the vesting of entire unvested cash and / or share linked component including vesting remaining in future years;

The above clause shall be subject to the limits permissible under applicable laws along with the approval of Board and / or NRC Committee, if any required.

In case of Clawback Clause, the Board / Committee may execute the following:

- Recovery of compensation received in the form of cash component of variable pay paid in the last certain period as prescribed by the Board and / or NRC Committee from time to time;
- Recovery of benefits accrued to the employee on account of exercise of stock options or through any other share linked instrument granted in last certain period as prescribed by the Board and / or NRC Committee from time to time;
- Forfeiture of vested but unexercised stock options or any other share linked instrument granted in last certain period as prescribed by the Board and / or NRC Committee from time to time;

The above clause shall be subject to the limits permissible under applicable laws along with the approval of Board and / or NRC Committee, if any required.

## 9. Dissemination

The Company shall place this policy on its website at [www.fusionfin.com](http://www.fusionfin.com) and the salient features of this policy along with web address of the policy shall be disclosed in the Board's report.

## 10. Disclosures relating to Remuneration

**10.1 Reporting to NRC Committee:** Remuneration, Commission, Perquisites, Reimbursements, Sitting Fees, Share Linked Instruments, Cash or Non-Cash Benefit Plans, including deferred benefit plans and retirement plans, if any proposed for Directors, Key Managerial Personnel and Senior Management, shall be reported to the Nomination and Remuneration Committee, as per applicable provisions of laws.

**10.2. Reporting in the Annual Report:**

The Company shall make applicable qualitative and quantitative disclosures in its Annual Report and the Annual Financial Statements, as are applicable, which inter-alia shall include the following:

- a. All pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company, shall be disclosed in the Annual Report.
- b. Criteria of making any payments to Non-executive directors
- c. All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, Superannuation Benefit, service contracts, notice period, severance fees and commission, as applicable;
- d. Criteria for Evaluation of performance shall be disclosed in Annual Report;
- e. Appointment/ Changes in Director(s) and KMP
- f. Any other disclosures applicable from time to time

**10.3 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.

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.

**11. Policy Review and Updates**

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

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