

Date: 29.12.2025

**Response to Proxy Advisory Recommendation**

To,

Stakeholder Empowerment Services - SES,

Ref.: Proxy Advisory Report dated 26.12.2025**Subject: Response to Voting Recommendation of Stakeholder Empowerment Services – SES on the proposals in the Postal Ballot Notice dated December 8, 2025.**

Dear Sir / Madam,

Fusion Finance Limited ("Company" or "we") are in receipt of your proxy advisory report dated December 26, 2025 ("SES Report") setting out your voting recommendations in relation to the resolutions proposed to be passed vide Postal Ballot Notice dated December 8, 2025, via e-voting commenced on Tuesday, December 9, 2025 (09:00 A.M. IST) and will end on Wednesday, January 7, 2026 (05:00 P.M. IST).

In this regard, please find our detailed response to the recommendation, as given below:

**Item No. 2: To consider and approve the appointment of Mr. Sanjay Garyali (DIN: 11046442) as Managing Director of the Company. (Special Resolution)****Response by FUSION:**

**a. We note that while you have expressed that the resolution is "Compliant with Law" & "No issues on merit of appointee",** you have nonetheless recommended voting "AGAINST" the resolution. This is primarily due to your requirement for additional disclosures regarding Variable Pay, Annual Increment, Stock Options (ESOPs) granted to Mr. Sanjay Garyali, which you have indicated are necessary for conducting a comprehensive evaluation of his overall remuneration package.

**At the outset, we wish to clarify that the remuneration, including variable pay, increment, and stock options for Mr. Garyali, was duly approved by the shareholders through a resolution passed on October 19, 2025, pursuant to the Postal Ballot Notice dated September 19, 2025. It is further reiterated that there is no change in the remuneration as proposed in the Postal Ballot Notice dated December 8, 2025.**

Further, for more clarity to the shareholders, a point-wise response is provided below:

- i. In regard to Variable Pay in case of loss/inadequacy of profits, please note that the remuneration, including variable pay, **be treated as minimum remuneration in the event of absence or inadequacy of profits, in accordance with Section 197 and Schedule V of the Companies Act, 2013. Further, the payment of variable pay is contingent upon the achievement of key performance indicators as reviewed by the Nomination & Remuneration Committee and Board of Directors.** This was approved by the shareholders as a statutory clause that empowers the Board to remunerate the Managing Director & Chief Executive



Officer based on different variables of performance parameters, and enables the Company to retain such key leadership positions during critical periods of stress.

ii. In regard to annual increments up to 20%, please note that this was also approved by the shareholders as an enabling clause within the purview of statutory provisions that authorises the Board to revise the remuneration **up to 20% of gross salary per annum, subject to applicable limits under the Act and contingent upon the achievement of key performance indicators**. This flexibility is intended to align with market practices and retain leadership talent, especially considering Mr. Garyali's extensive experience and strategic role. **Further, the threshold of 20% has been carefully determined after benchmarking against industry standards and considering the cruciality of responsibilities entrusted to Mr. Garyali, his proven track record, and the need to maintain competitive remuneration that reflects both performance and market dynamics.**

iii. Additionally, it is clarified that the Board of Directors evaluates the performance of the Managing Director & Chief Executive Officer based on a comprehensive set of parameters aligned with the Company's strategic and operational goals.

It is reiterated that the approval of variable pay and annual increment is contingent upon the achievement of key performance indicators, which typically include, but are not limited to, the following:

- **Growth in Disbursements / Assets Under Management (AUM)**
- **Improvement in Asset quality indicators**, such as Gross and Net NPA ratios
- **Improvement in Credit Cost**
- **Capital Adequacy and Cost-to-income ratio improvements**
- **Strategic initiatives and execution milestones**, including digital transformation, geographic expansion, and product diversification
- **Improvement in employee attrition levels**, reflecting enhanced talent retention and engagement
- **Leadership effectiveness and organizational development**

These parameters are reviewed regularly by the Board, ensuring alignment with shareholder interests and long-term value creation.

iv. In regard to the ESOPs, it is reiterated that Mr. Sanjay Garyali has been serving as the Chief Executive Officer of the Company since March 2025. We wish to clarify that the stock options granted to him in June 2025 were well within the overall limits approved by the shareholders through the resolution passed via the Postal Ballot Notice dated March 24, 2025. The said shareholders resolution authorized the grant of stock options equal to or exceeding 1% of the issued share capital of the Company. **It is reiterated that the stock options granted to Mr. Garyali amount are not above 1.2% of the Company's issued share capital, which is not significantly above the indicative threshold of 1%. This allocation remains well within the scope of shareholder approval and has been structured to ensure compliance with applicable statutory provisions while maintaining competitive practices for leadership retention.**



Furthermore, the stock options were granted at an exercise price of Rs. 164.97/- which was equivalent to the stock price of the Company's listed equity shares prevailing at the time of grant, with no discount applied to the exercise price. Hence any gain for Mr. Garyali would arise only once the company's share price rises above the market price at which the ESOPs were issued, indicating that any benefit is directly linked to the company's positive performance. Notably, the vesting of ESOPs is spread over a period of five years, structured to occur partly on a time-based schedule and partly contingent upon the achievement of aforementioned performance parameters.

Additionally, it is reiterated that the Board of Directors in its meeting held on September 30, 2025 has approved the appointment of Mr. Sanjay Garyali as 'Managing Director & Chief Executive Officer' of the Company and there is no additional stock options granted to him upon becoming Managing Director of the Company.

- b. Further, about the disclosures pertaining to reasons for loss, steps taken for improvement and expected increase in profits, please note that Annexure B to the explanatory statement outlines the reasons for the FY25 loss, including sector-wide stress and borrower behaviour post-COVID. While the disclosure reflects the broader industry context & ongoing recovery efforts, it also details steps taken for improvement, such as enhanced risk controls and a successful ₹800 crore rights issue. Furthermore, the Board of Directors in its meeting held on November 4, 2025 has approved the overall limit of Rs. 1,000 Crores to be raised via Non-Convertible Debentures, out of which the company has already completed the issuance, allotment & listing of Non-Convertible Debentures worth Rs. 160 Crores. All these measures underscore our commitment to ensuring long-term organizational stability and fostering sustainable growth, while remaining firmly aligned with the Company's strategic objectives and shareholder value creation.

Hope the aforesaid responses would suffice the requirement and would enable the shareholders to vote in favour of the proposed resolutions.

Further, we wish to clarify that Mr. Devesh Sachdev, Promoter of the Company, has not sold 2.82% of the Company's shares as on November 26, 2025. Instead, he continues to hold 2.82% of the Company's share capital as on that date and as on the current date. You are requested to incorporate this correction in your report.

A copy of the aforesaid responses is also available on the website of the company i.e. [www.fusionfin.com](http://www.fusionfin.com).

Thanking you.

Yours faithfully,

**For FUSION FINANCE LIMITED**

**(Formerly known as Fusion Micro Finance Limited)**

**Vikrant Sadana**

**Company Secretary and Compliance Officer**