

***DIRECTORS APPOINTMENT,
REMUNERATION & EVALUATION POLICY***

Approved by the Board of Directors at its meeting held on April 27, 2022

1. Purpose of this Policy:

Five-Star Business Finance Limited (“Five-Star” or the “Company”) has adopted this Policy on appointment, remuneration and evaluation of the Directors, Key Managerial Personnel and Senior Management (the “Policy”) as required by the provisions of Section 178 of the Companies Act, 2013 (the “Act”) and Regulation 19 read with Part D of Schedule II of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 (“SEBI LODR”) and other rules & regulations as may be applicable from time to time.

The purpose of this Policy is to establish and govern the procedure applicable:

- a) To evaluate the performance of the members of the Board.
- b) To ensure remuneration to Directors, KMP and Senior Management 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.
- c) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

The Company should ensure that 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 and the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

2. Definitions:

- i. Independent Director means a director referred to in Section 149(6) of the Act and Regulation 16(1)(b) of SEBI LODR, as amended from time to time.
- ii. Key Managerial Personnel (the “KMP”) shall mean “Key Managerial Personnel” as defined in Section 2(51) of the Act.
- iii. Nomination & Remuneration Committee, by whatever name called, shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act and SEBI LODR.
- iv. Remuneration means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income- tax Act, 1961.
- v. Senior Management means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Managing Director.

Words and expressions used and not defined in this Policy, but defined in the Act or any rules framed under the Act or SEBI LODR or the Accounting Standards shall have the meanings assigned to them in those regulations.

3. Composition of the Nomination & Remuneration Committee:

The composition of the Committee to be in compliance with the Act, Rules made thereunder, and SEBI LODR, as amended from time to time.

4. Role of the Committee:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. For every appointment of an independent director, the Nomination & Remuneration 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:
 - a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidates.
3. Formulation of criteria for evaluation of the performance of the independent directors and the Board;
4. To devise a policy on Board diversity;
5. To identify persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board their appointment and removal;
6. To determine 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. To determine the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
8. Performance of such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended;
9. Performing such other activities as may be delegated by the Board and/or specified/provided under the Companies Act, the Listing Regulations or by any other regulatory authority.

5. Appointment and removal of Director, KMP and Senior Management:

- 5.1 **Appointment criteria and qualification:** The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and recommend to the Board about his/her appointment.

For the appointment of KMP (other than Managing Director) or Senior Management, a person should possess adequate qualification, expertise and experience for the position he / she is considered for the appointment.

Further, for administrative convenience, the appointment of KMP (other than Managing Director) or Senior Management, the Managing Director is authorized to identify and appoint a suitable person for such position. However, if need be, the Managing Director may consult the Committee/Board for directions/guidance.

5.2 **Term:** The Term of the Directors including Managing Director / Independent Director shall be governed as per the provisions of the Act and Rules made thereunder and SEBI LODR, as amended from time to time. Whereas the term of the KMP (other than the Managing Director) and Senior Management shall be governed by the prevailing HR policies of the Company.

5.3 **Evaluation:** The Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, or by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance. (Refer Annexure)

5.4 **Removal:** Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations thereunder and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel.

5.5 **Policy Review:** Subject to the approval of the Board, the Nomination & Remuneration Committee reserves the right to review and amend this policy, if required, to ascertain its appropriateness as per the needs of the Company. The policy may be amended by passing a resolution of the Nomination & Remuneration Committee.

6. Remuneration of Managing Director, KMP and Senior Management:

The remuneration to the Managing Director including any perquisites, allowances, commission, compensation, etc., as the case may be, will be determined by the Committee and recommended to the Board for approval. The remuneration shall be subject to the approval of the shareholders of the Company and Central Government, if necessary, and shall be in accordance with the provisions of the Act and Rules made thereunder and SEBI LODR, and any other law, if applicable. Further, the Managing Director is authorised to decide the remuneration of KMP and Senior Management including any perquisites, allowances, commission, compensation, etc, based on the standard market practices and prevailing HR policies of the Company.

7. Remuneration to Non-executive/ Independent Director:

The remuneration to the Non- Executive/ Independent Director including commission, sitting fees, etc, as the case may be, shall be in accordance with the provisions of the Act and the Rules made thereunder and SEBI LODR for the time being in force and as may be decided by the Committee / Board / shareholders.

Annexure - Criteria for Evaluation

Criteria for evaluation of the Board and non-independent directors:

1. Composition of the Board and availability of multi-disciplinary skills
2. Commitment to good Corporate Governance Practices
3. Adherence to Regulatory Compliance
4. Track record of financial Performance
5. Grievance redressal mechanism
6. Existence of integrated Risk Management System
7. Use of Modern technology
8. Commitment to CSR
9. Stakeholder focus
10. Knowledge sharing
11. Drive and commitment
12. Financial & Risk Awareness

Criteria for evaluation of Chairman & Managing Director:

1. Leadership qualities
2. Standard of Integrity
3. Understanding of Macroeconomic trends and Micro Industry trends.
4. Public Relations
5. Future Vision and Innovation

Criteria for evaluation of Independent Directors & Non-executive Directors:

1. Qualifications & Experience
2. Standard of Integrity
3. Attendance in Board Meetings/AGM
4. Understanding of Company's business
5. Value addition in Board Meetings

Criteria for evaluation of the Committees:

1. Qualification & Experience of members
2. Depth of review of financial performance
3. Oversight of Audit & Inspection
4. Review of regulatory compliance
5. Fraud monitoring
6. Defined set of terms of reference
7. Consideration of the recommendations of the committees by the Board
8. Familiarity of the members with the policies, procedures and guidelines of the Committees
9. Receipt of agenda & supporting materials by the members
10. Attendance at committee meetings