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COMPENSATION POLICY FOR KEY MANAGERIAL PERSONNEL (KMP) AND SENIOR MANAGEMENT

**COMPENSATION POLICY FOR KEY MANAGERIAL PERSONNEL (KMP)
AND SENIOR MANAGEMENT**

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Effective Date	31.03.2023
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1st Review	04.02.2025
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1. INTRODUCTION:

GeeCee Fincap Limited is a Non-Banking Financial Company categorised as Investment and Finance Company with its primary activity being of lending, investing in securities and mobilization of Capital. In compliance with Guidelines by Reserve Bank of India on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs issued on April 29, 2022, NBFCs are required to put in place a Board approved compensation policy inter alia including provisions relating to (a) constitution of a Remuneration Committee, (b) principles for fixed/ variable pay structures, and (c) malus/ clawback provisions. The guideline also provides to delineate the role of various committees, including Nomination and Remuneration Committee (NRC).

Thus in light of the above, the “Board of Directors” (“Board”) of GeeCee Fincap Limited has formulated a Policy on Compensation of Key Managerial Personnel (KMP) and Senior Management.

2. DEFINITIONS:

1. “Applicable laws/ laws” mean the regulatory requirements that cover/may cover Income Tax, Corporate Laws and other laws and regulation as may be applicable to the Company.
2. “Board” means the Board of Directors of the Company.
3. “Company shall mean GeeCee Fincap Limited incorporated under the Companies Act 2013, its affiliate and subsidiary companies.
4. “Committee” shall mean the Nomination and Remuneration Committee of the Company
5. “Deferral” shall mean payment of a part of compensation at a date later than when it becomes due to the Employees.
6. “Guidelines” shall mean RBI guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs
7. “Key Managerial Personnel” in relation to a company, shall include the following as per Section 2(51) of the Companies Act 2013:
 - i. the Chief Executive Officer or the Managing Director or the manager
 - ii. the Company Secretary
 - iii. the Whole Time Director (WTD) which shall also include Executive Directors
 - iv. the Chief Financial Officer (CFO);
 - v. Such other officer as may be prescribed
8. “Senior management” shall include personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the CEO, including the functional heads as per ‘Explanation’ to section 178 of the Companies Act, 2013

9. “Variable Pay” means that portion of the compensation which is variable in nature and linked to performance of the company and/ or the employee.
10. “Separation from Employment” means separation on account of retirement, resignation or death in service.

3. KEY PRINCIPLES:

The Committee shall review and recommend to the Board, through its annual review process (or such periodicity as it deems appropriate), adopting the key principles of remuneration.

1. Benchmarked to appropriate market: The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate employees of the quality required to run the Company successfully.
2. Adopt a Pay for Performance philosophy such that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
3. Have an appropriate balance in pay mix: The remuneration has a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals. For the Senior Management, variable pay shall be higher at higher levels of responsibility and subject to the following principles:
 - a) It shall be commensurate with the role and prudent risk taking profile of KMPs and Senior Management employees;
 - b) Can be reduced to zero based on performance at an individual, business-unit and company wide level.
4. Be financially viable and relevant to market practices and commensurate to skills:
 - a) taking into account, financial position of the Company, trend in the industry, appointee’s qualification, experience, past performance, past remuneration, and any other relevant factors that the Committee may deem fit;
 - b) be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.
5. The compensation of KMPs and Senior Management shall be aligned effectively with prudent risk taking to ensure that
 - a) compensation is adjusted for all types of risks;
 - b) the compensation outcomes are symmetric with risk outcomes;
 - c) compensation pay-outs are sensitive to the time horizon of the risks, and
 - d) the mix of cash, equity and other forms of compensation are consistent with risk alignment.

6. Compliant with local laws:

- a) Remuneration for Senior Management is in compliance with the relevant provisions of the Companies Act, 2013.
- b) Remuneration for all employees are in compliance with the relevant provisions of Payment of Wages Act, Minimum Wages Act, and such other relevant Labour Laws of the country as may be applicable to the Company from time to time.

4. COMPENSATION GOVERNANCE:

The Committee shall have supervisory oversight regarding implementation of compensation practices and policies of the Company. The Compensation and Benefits unit within the Human Resources function will administer the compensation policy by following rules and processes that are objective and transparent. The Committee may ensure that compensation 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. COMPENSATION GUIDELINES FOR KMPS AND SENIOR MANAGEMENT:

Compensation Structure

The compensation structure shall broadly comprise the following components:

- 1. Fixed Pay
- 2. Variable Pay

1. Composition of Fixed Pay:

- (i) All the fixed items of compensation, including the perquisites and contributions towards superannuation/retrial benefits, may be treated as part of fixed pay;
- (ii) All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements;
- (iii) Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) may also be part of fixed pay.

2. Composition of Variable Pay: The variable pay for Senior Management may consists of

- (i) a mix of cash and share-linked instruments if any;
- (ii) It shall be ensured that the share-linked instruments if any issued shall be in conformity with relevant statutory provisions.

Compensation for Risk Control and Compliance Staff: To ensure a robust Risk Management and Control Mechanism, it is intended that KMPs and Senior Management engaged in financial control, risk management, compliance and internal audit are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the company. Accordingly, the company shall ensure that the mix of fixed to variable compensation for control function is weighted in favour of fixed compensation and in line with the RBI guidelines for NBFCs.

Deferral of variable pay: For KMPs and Senior Management, both cash and share linked variable pay may be deferred as recommended by the Committee and as approved by the Board of the company. However, where the cash variable pay is below the threshold limit of variable pay defined by the Committee, deferral requirement will not be necessary. In the event of a separation of an employee on good terms with the company, the Committee shall have the discretion to waive part or whole of the deferred pay.

Guaranteed bonus: Guaranteed bonus may not be paid to the 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.

The guidelines relating to payment of remuneration to the Non-Executive of the Company:

1. The Non-Executive Independent Directors and Non-Executive Non-Independent Directors (who are not related or associated with the shareholders of the Company) be entitled to payment of sitting fees within the prescribed limit under the Companies Act, 2013, for attending meetings of the Board/ Committees and payment of commission, up to such amounts, as decided by the Board of the Directors of the Company, from time to time. As a matter of governance, the Non-Executive Non-Independent Directors shall not be paid any sitting fees or commission by the Company.
2. The Non-Executive Independent Directors and Non-Executive Non-Independent Directors (who are not related or associated with the shareholders of the Company) shall be entitled to payment of commission, within the limits fixed by the Board, under the Companies Act, 2013. The actual amount of commission if any, to be paid would be subject to the outcome of the performance evaluation of the Non-Executive Independent Directors and Non-Executive Non-Independent Directors (who are not related or associated with the shareholders of the Company), as reviewed by the Nomination and Remuneration Committee (NRC) and approved by the Board.
3. The NRC whilst determining the quantum of commission payable shall take into account the outcome of the performance evaluation of the individual Non-Executive Independent Directors and Non-Executive Non-Independent Directors (who are not related or associated with the shareholders of the Company), vis a vis the criteria laid and adopted for the said purpose.
4. All payments relating to sitting fees/ commission, shall be subject to deduction of taxes, cess, surcharge etc., in such manner as prescribed by the Government, from time to time.
5. All payments relating to commission shall be subject to the norms relating to malus/ claw-back, as called out in the Code of Conduct and this Policy.

6. MALUS AND CLAWBACK:

Malus: A malus arrangement shall permit the committee to prevent vesting of all or part of the amount of unvested variable pay. Malus arrangement does not reverse vesting after it has already occurred.

Clawback: A 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 NBFC under certain circumstances as stated below.

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, the Committee shall evaluate and decide if malus and/or clawback needs to be applied on none, part or all of the variable compensation along with the time period. The Committee also reserves the right to include any additional conditions which may trigger Malus/ Clawback provisions over and above those defined herein.

Employee Misconduct shall mean any act detrimental to the interest of the organization including and not restricted to violation of company's Code of Conduct.

While setting criteria for the application of malus and clawback, the company may also specify the period during which malus and/or clawback can be applied, covering at least the deferral period.

Malus and Clawback shall apply equally to resigning and retiring employees.

7. REVIEW OF THE POLICY:

This policy shall be reviewed and modified by Nomination and Remuneration Committee (NRC) as and when may be required and placed before the Board for approval. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity.

However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.