

AADHAR HOUSING FINANCE LIMITED

Nomination (including Boards' Diversity), Remuneration and Evaluation Policy

(Revision Effective from April 2019 with Revised Terms of reference approved

By the Board in January, 2021)

(Version – II)

I. PREFACE

Pursuant to the provisions of Companies Act, 2013 (the “Act”) and the applicable regulations/ directions of the NHB, the Company formulated this policy which lays down the criteria for determining the qualifications, positive attributes and Independence of a Director and also lays down the criteria for remuneration of the Directors, Key Managerial Personnel and Top managerial personnel.

Further, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) *inter-alia* mandates to ensure a transparent board nomination process ensuring Board diversity in terms of varied experience, knowledge, perspective and gender in the Board. The Company is required to lay down the criteria for determining qualifications, positive attributes, independence of a Director and criteria for evaluating the performance of the Independent Directors and the Board. It further requires a Company to devise a policy on Board diversity; and a policy setting out guiding principles to determine the remuneration of its Directors, Key Managerial Personnel & Top Managerial Personnel.

Aadhar Housing Finance Ltd. [formerly known as DHFL Vysya Housing Finance Limited] (the “Company” or “AHFL”) has a Nomination & Remuneration Committee which was duly constituted in 28th April, 2015 consisting of two Non Executive Independent Directors & one Non-Executive Director.

As per the applicable provisions of the Act and SEBI Listing Regulations, the Nomination & Remuneration Committee (the “Committee”) has been entrusted with the responsibility to lay down the criteria for the Board of Directors appointment, evaluation and remuneration for the Directors, Key Managerial Personnel and Top managerial personnel. The Committee shall also administer the stock option plan / stock appreciation right’s plan of the Company.

In view of the above regulatory requirements, “Nomination (including Boards’ Diversity), Remuneration and Evaluation Policy” [Policy] was approved by the Board of Directors at the meeting held on 5th December, 2017 and also reviewed and modified at the Board meeting held on 30th April, 2019. The revised Terms of Reference were approved by the Board at its meeting held on January 16, 2021.

II. OBJECTIVE

- a. To lay down the criteria for identifying the persons who are qualified to become directors and such persons who may be appointed as the Key Managerial Personnel(KMPs)/Top managerial personnel of the Company.
- b. To ensure 'fit and proper' status of proposed/ existing directors.
- c. To determine the qualifications, positive attributes and independence of the Board and to ensure Board Diversity.
- d. To lay down the criteria for determining the remuneration of the Directors, KMPs and Top managerial personnel.

- e. To set the criteria for evaluation of the performance of Board of Directors/Committees (including Independent Directors) and KMPs/Top managerial personnel of the Company.
- f. To ensure succession planning of KMPs/Top managerial personnel.
- g. To specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

III. DEFINITIONS

“Board” or **“Board of Directors”** shall mean Board of Directors of the Company.

“Company” shall mean Aadhar Housing Finance Limited (AHFL)

“Key Managerial Personnel” (as defined in Section 2(51) of the Companies Act, 2013) in relation to the Company, means –

- i. Chief Executive Officer or the Managing Director or the Manager
- ii. Whole Time/Executive Director
- iii. Company Secretary
- iv. Chief Financial Officer
- v. 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
- vi. Such other officer as may be prescribed by the Government/Act.

“Top Managerial Personnel” shall mean personnel of the company who are members of its core management team, functional heads, but excluding KMPs and MD & CEO. Normally, this shall comprise of all members of top management cadre reporting to the Managing/Executive Director, at one level below, ie. **President, Executive Vice President, Chief Operating Officer and Chief Business Officer or such other equivalent positions.**

IV. SCOPE

This Policy shall be applicable to:

- a. Board of Directors
- b. Key Managerial Personnel as defined under Section 2(51) of the Act
- c. Top Managerial Personnel of the company as defined above, who are members of its core management team excluding Board of Directors.

V. APPOINTMENT CRITERIA FOR THE BOARD AND KMPs:

A. FOR THE BOARD

1.1 Composition of the Board-

- Section 149 of the Act prescribes that every public limited company shall have at least 3 Directors and provides for appointment of up to fifteen Directors without seeking approval of Shareholders. It also prescribes that all listed companies shall have at least one woman

director. Section 149 (3) of the Act provides that there should be at least one Director who should have stayed in India for a period of not less than 182 days during the financial year.

- As per SEBI Listing Regulations, where a non-executive director is appointed as the Chairman of the Board, at least one-third of the Board should comprise of independent directors and in case the company does not have a regular non-executive Chairman, at least half of the Board should comprise of independent directors. Provided that where the regular non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the Company shall consist of Independent Directors.
- The Board, at present, has a Non- Executive Chairman. The composition of the Board shall include such minimum number of Independent Directors as mandated in the law. The Board shall be separate from the management functions and should have expertise in making informed decisions, expeditiously with the bouquet of variety of perspectives and skills that works together in the best interest of the Company.

1.2 BOARD DIVERSITY-

- The Company shall be committed to promote diversity on the Board and recognizes the importance and benefits of having a diverse Board.
- The Company shall endeavour to ensure diversity on the Board through varied skills, experience and background, industry experience, gender, knowledge and other distinguishing qualities of the members of the Board shall enhance the overall effectiveness of the Board and bring in valuable contribution to its business strategies, plans and future growth aspects.
- The Company shall endeavour to have a Board with diverse background and experience in business, government, academics, technology and in areas that are relevant for its operations.

1.3 APPOINTMENT CRITERIA-

1.3.1 Whole Time Director/Executive Director

- The Whole Time Director/Executive Director shall be appointed as per the applicable provisions of the Act, Rules made there under, provisions of National Housing Bank and other applicable regulatory provisions.
- The person to be appointed will be assessed against a range of criteria which shall include but shall not be limited to qualifications, skills, industry experience, fit & proper (as per the provisions of Companies Act, 2013, provisions of National Housing Bank and other applicable regulatory provisions), background and other attributes required for the said position.
- The Whole Time Director/Executive Director shall have all the powers and authorities as prescribed by the Board of Directors and as provided in the Articles of Association and applicable provisions of the Act. The Whole Time Director/Executive Director will be overall in-charge of the business, administration and other affairs of the Company subject to the superintendence, control and directions of the Board of Directors and he shall guide, control and supervise the employees of the Company, their functions, the business carried on by the Company and all administrative matters.

1.3.2 Non-Executive Director

- The Non - Executive Director shall be appointed as per the applicable provisions of the Act, rules made there under, provisions of National Housing Bank and other applicable regulatory provisions.
- The person to be appointed shall be assessed on various parameters such as qualification, relevant experience and expertise, integrity, skill sets etc. The person considered to be appointed as a Non-Executive Director should be fit & proper (as per the provisions of Companies Act, 2013, provisions of National Housing Bank and other applicable regulatory provisions) and possess relevant expertise which will help the person to act objectively and constructively.

1.3.3 Independent Director's Criteria

- A person considered for the position of an Independent Director shall fulfil the below mentioned criteria and shall mean a director other than a managing director or a whole-time director or a nominee director,—
 - a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
 - b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
 - c) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
 - d) none of whose relatives:
 - (i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;
 - (ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
 - (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or
 - (iv) has any pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);;
 - e) who, neither himself nor any of his relatives—
 - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in

any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.]

- (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
 - (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;
- (iii) holds together with his relatives two per cent. or more of the total voting power of the company; or
 - (iv) is a Chief Executive or director, by whatever name called, of any non profit organization that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company;
- (v) is a material supplier, service provider or customer or a lessor or lessee of the Company.
- f) who is not less than 21 years of age.
- g) who possesses such other qualifications as may be prescribed under the Companies Act and the rules thereunder or SEBI Listing Regulations.

In compliance with the other applicable laws and other relevant regulations as may be issued by the Ministry of Corporate Affairs, SEBI, Independent Directors shall also be required to adhere to the Code for Independent Directors under Schedule IV of the Act.

1.4. Formation of Nomination & Remuneration Committee:

The Board of Directors of the **company shall form a Committee** called “Nomination and Remuneration Committee” (the Committee) as per provisions of Section 178 of the Companies Act, 2013 as amended, consisting the following members:-

<u>Committee Composition</u>	<u>Functions & Powers</u>	<u>Quorum:-</u>	<u>periodicity of meetings:-</u>
<p>The Committee shall at all time consist three or more Non- Executive Directors out of which not less than one-half shall be Independent Directors and also it is chaired by the Independent Director as decided by the Board.</p> <p>The Chairman of the Company (whether executive or non-</p>	<p>as per Delegation:</p>	<p>Two directors, or one third of the members of the committee, whichever is greater out of which on Independent Director shall be present compulsorily.</p>	<p>As and when required. The Committee shall mandatorily meet at least once in a financial year.</p>

executive) may be appointed as a Member of the Committee but shall not chair the Committee meeting. Such appointment to be approved by the Board			
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Functions & Powers:

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| | <ul style="list-style-type: none"> i) To consider and recommend for appointment and remuneration of Directors, Managing/Executive Director, CEO of the Company ii) To consider, review and approve annual salary increment, Bonus and promotion to KMPs/ Top managerial persons. iii) To approve & implement staff welfare schemes or ESOPs/ ESAR as per this policy iv) To consider & recommend the criteria for determining qualifications, positive attributes and independence, fit and proper criteria for directors, in compliance with law. v) Such other powers/functions as per the Companies Act/Rules and this Policy vi) Any other powers referred/powers delegated to the committee by the Board under this policy, any regulation/ directions of Regulators or the statutory or government authorities/bodies and as per the provisions of the Companies Act, 2013. |
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Additional Terms of Reference as approved by the Board on 16th January, 2021:-

The revised functions and powers of the NRC are as follows:

- i) Considering and recommending for appointment and remuneration of directors, managing/executive director, CEO of the Company.
- ii) Considering, reviewing and approving annual salary increment, bonus and promotion to KMPs/ top managerial persons.
- iii) Approving & implementing staff welfare schemes or ESOPs/ ESAR as per the NRC Policy.
- iv) Considering & recommending the criteria for determining qualifications, positive attributes and independence, fit and proper criteria for directors, in compliance with law.
- v) Formulating of criteria for evaluation of the performance of the independent directors and the Board;
- vi) Devising a policy on Board diversity;
- vii) Identifying 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, and carrying out evaluations of every director's performance;
- viii) Determining 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;
 - ix) Analysing, monitoring and reviewing various human resource and compensation matters;
 - x) Determining 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;
 - xi) Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;
 - xii) Reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;
 - xiii) Performing such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended;
 - xiv) Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:
 - o the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; or
 - o the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended.
 - xv) Recommend to our Board, all remuneration, in whatever form, payable to senior management; and
 - xvi) Any other functions/powers referred/powers delegated to the committee by the Board under the NRC Policy, any regulation/ directions of regulators or the statutory or government authorities/bodies and as per the provisions of the Companies Act, 2013 and the rules made thereunder.

The Committee shall review the information, declarations and undertakings given by the existing and proposed Director(s) giving additional information in the prescribed format in terms of "Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016" (vide notification No.NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 09/02/2017) and the Chairman of the Committee shall authenticate the same.

The Committee shall ensure that the deeds of covenants are signed by the Directors in the format prescribed and approved by the Board pursuant to his/her terms of appointment.

1. Nomination process

- The NRC shall review the structure, composition and diversity of the Board and make recommendations to the Board on any proposed changes/ new appointments to complement the Company's objectives and strategies.
- The Committee shall ensure that the Board has appropriate qualifications, skills, professional knowledge, characteristics and experience in diverse fields like finance, banking, insurance, economics, corporate laws, administration, etc. required as a whole and by its executive directors, non-executive directors and independent directors in their individual capacity. No person shall be eligible to be appointed as a Director of the Company if he suffers from any of the disqualifications contained in section 164 of the Companies Act, 2013 or if he is disqualified by virtue of any other section of Companies Act, 2013 or any rules made thereunder.
- The Committee may on annual basis review the appropriate skills, knowledge and experience required for the Board as a whole and its individual Directors.
- The Committee shall ensure that the Board shall at all times represent an optimum combination of Executive and Non- Executive Directors as well as Independent Directors with at least one woman director and not less than fifty percent of the Board of Directors comprising independent directors, as per the provisions of Companies Act, 2013, and other applicable laws.
- The Committee shall while identifying and selecting suitable candidates for fresh appointment/ re-appointment/ filling up casual vacancy shall inter-alia consider the following criteria:
 - consider educational and professional background and personal achievements;
 - consider individuals who are appropriately qualified, based on their talents, experience, functional expertise and personal skills, character and qualities;
 - consider criteria that promotes diversity, including gender, age and relevant background;
 - engage qualified independent external advisors, if required, to assist the Committee in conducting its search for candidates that meet the criteria as laid down herein with regard to the skills, experience and diversity; and
 - compliance with 'fit and proper' criteria, as mandated under the and the applicable regulations/ directions of the NHB and other applicable laws.
- The proposed appointee shall also fulfil the following requirements:
 - Shall possess a director identification number;

- Shall not be disqualified under the Companies Act, 2013;
- Shall give his written consent to act as a Director;
- Shall endeavour to attend all board meetings and wherever he is appointed as a committee member, the committee meetings;
- Shall abide by the code of conduct established by the Company for Directors and Top Senior Management Personnel;
- Shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his shareholding, committee membership/chairmanship at the first meeting of the Board in every financial year.
- Such other requirements as may be prescribed, from time to time under the Companies Act, 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other relevant laws.
- Upon receiving the consent to act as a Director, the profile of the person proposed to be appointed as a Director, shall be placed before the Board for its consideration and approval.
- As per the provisions of the Companies Act, 2013, appointment of Directors by the Board shall be placed before the shareholders for their approval. The Company shall issue a formal appointment letter to the Independent Directors confirming their appointment under the signatures of the Managing Director/Whole-time Director /Executive Director/Chief Executive Officer.
- The Committee shall assess the independence of Directors at the time of appointment/re-appointment and the Board shall assess the same annually. The Board shall re-assess determination of independence when any new interests or relationships are disclosed by a Director.

2. Fit and Proper criteria

At the time of appointment/re-appointment of the Directors , the Company shall be required to follow the due diligence process as stated in the Company’s Policy on Fit and Proper criteria for the Directors formulated as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, dated 9th February, 2017 and other applicable laws.

3. Term and Tenure

i) Managing Director/ Whole-time Director

The Company shall appoint or re-appoint any person as its Managing Director or Whole-time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

ii) Independent Director

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the shareholders of the Company and disclosure of such appointment in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

4. Outside Directorships

- The Directors shall have the liberty to accept other board appointments so long as the appointment is not in conflict with the Company's business and does not materially interfere with the performance as a Director of the Company.
- Any change(s) in the nature or the number of directorship(s)/Committee membership(s) or chairmanship(s) held shall be intimated to the Company within thirty days of such change.
- The Directors may hold office as a director, including any alternate directorship, in not more than twenty companies at the same time subject to maximum directorships in ten public companies.
- As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, no Director shall serve as an Independent Director in more than seven listed companies. Further, a whole time director of a listed company shall not serve as an independent director in more than three listed companies.

Further, a director shall not act as a Member in not more than ten committees or act as a Chairman of not more than five committees across all Companies in which they are Director(s). However, as per the applicable regulations, the Chairmanship/membership of the Committee and Stakeholders Relationship Committee alone shall be considered for reckoning the said limit.

5. Key Managerial Personnel and Top Managerial Personnel

- Section 203 of the Act provides for appointment of whole-time Key Managerial Personnel ("KMP") by listed entities and such personnel shall be appointed by means of resolution of the Board containing the terms and conditions of such appointment.

- The KMP and Top Managerial Personnel should comprise of individuals with appropriate mix of skills, experience and personal attributes. The said employees should be adept and understand the business and the environment in which the Company operates and perform towards the achievement of Company objectives and goals.
- For the appointment of KMP and Top Managerial Personnel, the following criteria's shall be considered:
 - assessing the appointee against a range of criteria which includes but not limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the respective position;
 - the extent to which the appointee is likely to contribute to the overall effectiveness of the organization, work constructively with the existing team and enhance the efficiencies of the Company; and
 - Personal specifications like degree holder in relevant disciplines; experience of management in a diverse organization; excellent interpersonal, communication and representational skills; demonstrable leadership skills, commitment to high standards of ethics, personal integrity and probity, commitment to the promotion of equal opportunities and skills must also be considered.
- The appointments of one level below the Managing/Executive Director shall be within the ambit of the Committee and the Committee shall be duly informed on the appointments at the Top Managerial Personnel level and above.

The Committee shall review the information, declarations and undertakings given by the existing and proposed Director(s) giving additional information in the prescribed format in terms of `Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016` (vide notification No.NHB.HFC.CG- DIR.1/MD&CEO/2016 dated 09/02/2017) and the Chairman of the Committee shall authenticate the same.

The Committee shall ensure that the deeds of covenants are signed by the Directors in the format prescribed and approved by the Board pursuant to his/her terms of appointment.

1.5 NOMINATION PROCESS

- The Committee shall review the structure, composition and diversity of the Board and make recommendations to the Board on any proposed changes/ new appointments to complement the Company's objectives and strategies.
- The Committee shall ensure that the Board has appropriate qualifications, skills, professional knowledge, characteristics and experience in diverse fields like finance, banking, insurance, economics, corporate laws, administration, etc. required as a whole and by its executive directors, non-executive directors and independent directors in their individual capacity. No person shall be eligible to be appointed as a Director of the Company if he suffers from any

of the disqualifications contained in Section 164 of the Companies Act, 2013 or if he is disqualified by virtue of any other Section of Companies Act, 2013 or any rules made thereunder.

- The Committee may on annual basis review the appropriate skills, knowledge and experience required for the Board as a whole and its individual Directors.
- The Committee shall ensure that the Board shall at all times represent an optimum combination of Executive and Non- Executive Directors as well as Independent Directors with at least one woman director and not less than fifty percent of the Board of Directors comprising independent directors, as per the provisions of Companies Act, 2013, and other applicable laws.
- The Committee shall while identifying and selecting suitable candidates for fresh appointment/ re-appointment/ filling up casual vacancy shall inter-alia consider the following criteria:
 - consider educational and professional background and personal achievements;
 - consider individuals who are appropriately qualified, based on their talents, experience, functional expertise and personal skills, character and qualities;
 - consider criteria that promotes diversity, including gender, age and relevant background;
 - engage qualified independent external advisors, if required, to assist the Committee in conducting its search for candidates that meet the criteria as laid down herein with regard to the skills, experience and diversity;
 - compliance with 'fit and proper' criteria, as mandated under the and the applicable regulations/ directions of the NHB and other applicable laws.
- The proposed appointee shall also fulfil the following requirements:
 - Shall possess a Director Identification Number;
 - Shall not be disqualified under the Act;
 - Shall give his written consent to act as a Director;
 - Shall endeavour to attend all Board Meetings and wherever he is appointed as a Committee Member, the Committee Meetings;
 - Shall abide by the Code of Conduct established by the Company for Directors and Top/Senior Management Personnel;
 - Shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his shareholding, Committee membership/chairmanship at the first meeting of the Board in every financial year.
 - Such other requirements as may be prescribed, from time to time under the Act or SEBI Listing Regulations and other relevant laws.
- Upon receiving the consent to act as a Director, the profile of the person proposed to be appointed as a Director, shall be placed before the Board for its consideration and approval.
- As per the provisions of the Act, appointment of Directors by the Board shall be placed before the shareholders for their approval. The Company shall issue a formal appointment letter to the Independent Directors confirming their appointment under the signatures of the Managing Director/Whole-time Director /Executive Director./Chief Executive Officer.

- The Committee shall assess the independence of Directors at the time of appointment/re-appointment and the Board shall assess the same annually. The Board shall re-assess determination of independence when any new interests or relationships are disclosed by a Director.

1.6 FIT AND PROPER CRITERIA

At the time of appointment/re-appointment of the Directors , the Company shall be required to follow the due diligence process as stated in the Company's Policy on Fit and Proper criteria for the Directors formulated as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, dated 9th February, 2017 other applicable laws.

1.7 TERM AND TENURE

iii) Managing Director/ Whole-time Director

The Company shall appoint or re-appoint any person as its Managing Director or Whole-time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

iv) Independent Director

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the shareholders of the Company and disclosure of such appointment in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

1.8 OUTSIDE DIRECTORSHIPS-

- The Directors shall have the liberty to accept other board appointments so long as the appointment is not in conflict with the Company's business and does not materially interfere with the performance as a Director of the Company.
- Any change(s) in the nature or the number of directorship(s)/Committee membership(s) or chairmanship(s) held shall be intimated to the Company within thirty days of such change.
- The Directors may hold office as a director, including any alternate directorship, in not more than twenty companies at the same time subject to maximum directorships in ten public companies.
- As per the SEBI Listing Regulations, no Director shall serve as an Independent Director in more than seven listed companies. Further, a whole time director of a listed company shall not serve as an independent director in more than three listed companies.

- Further, a director shall not act as a Member in not more than ten committees or act as a Chairman of not more than five committees across all Companies in which they are Director(s). However, as per the applicable regulations, the Chairmanship/membership of the Audit Committee and Stakeholders Relationship Committee alone shall be considered for reckoning the said limit.

1.9 Key Managerial Personnel (KMP) and Top Managerial Personnel-

- Section 203 of the Act provides for appointment of whole-time Key Managerial Personnel (“KMP”) by listed entities and such personnel shall be appointed by means of resolution of the Board containing the terms and conditions of such appointment.
- The KMP and Top Managerial Personnel should comprise of individuals with appropriate mix of skills, experience and personal attributes. The said employees should be adept and understand the business and the environment in which the Company operates and perform towards the achievement of Company objectives and goals.
- For the appointment of KMP and Top Managerial Personnel, the following criteria’s shall be considered:
 - assessing the appointee against a range of criteria which includes but not limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the respective position,
 - the extent to which the appointee is likely to contribute to the overall effectiveness of the organization, work constructively with the existing team and enhance the efficiencies of the Company;
 - Personal specifications like degree holder in relevant disciplines; experience of management in a diverse organization; excellent interpersonal, communication and representational skills; demonstrable leadership skills, commitment to high standards of ethics, personal integrity and probity, commitment to the promotion of equal opportunities and skills must also be considered.
- The appointments of one level below the Managing/Executive Director shall be within the ambit of the Committee and the Committee shall be duly informed on the appointments at the Top Managerial Personnel level and above.

B. Compliance with the Code-

The Board, KMP and the Top Managerial Personnel shall be required to adhere to the Code of Conduct for the Board and the Top/Senior Management Personnel and also comply with the Code circulated by NHB.

C. Compliance with the Policy on Fit and Proper Criteria for the Directors-

The Directors shall be required to furnish the information/declarations as specified in the Company’s “Policy on Fit and Proper criteria for the Directors” formulated as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, dated 9th February, 2017 and other applicable laws.

VI. REMUNERATION CRITERIA FOR THE BOARD AND THE EMPLOYEES:

A. For the Board

1.10 Whole time Director/Managing/ Executive Director-

a) Base Compensation (fixed salaries)

- Must be competitive and reflective of the individual's role, responsibility and experience in relation to performance of day-to-day activities, usually reviewed on an annual basis; (includes salary, allowances and other statutory/non-statutory benefits which are normal part of remuneration package in line with market practices).

b) Variable salary:

- The Company may structure any portion of remuneration as variable in the form of commission/bonus or otherwise, linked to rewards on the achievement of Company's and individual performance, fulfilment of specified improvement targets or attainment of certain financial or other objectives set by the Board. The amount payable shall be determined by the Committee/Board, based on performance against pre-determined financial and non-financial metrics.
- As per Section 197 of the Act, the total managerial remuneration payable by the Company to its directors, including Managing Director and Whole time Director, and its Manager in respect of any financial year shall not exceed 11% of net profits of the Company computed in the manner laid down in Section 198 in the manner as prescribed under the Act.
- The Company may with the approval of the shareholders authorize the payment of remuneration upto 5% of the net profits of the Company to its any one Managing Director/Whole Time Director/Manager and ten percent in case of more than one such official.
- The Company with the approval of the Shareholders and Central Government may authorize the payment of remuneration exceeding eleven percent of the net profits of the company, subject to the provisions of Schedule V of the Act.
- The net profits for the purpose of the above remuneration shall be computed in the manner referred to in Section 198 of the Act.
- The Whole-time Director/Executive Director shall not be entitled to sitting fees.
- The Whole-time Director/Executive Director shall be governed by HR policies as applicable to the other employees of the Company.

1.11 Non – Executive Director and Independent Director-

- The Non-executive and Independent Directors of the Company are entitled to sitting fees for attending the meetings of the Board or Committees thereof.
- The Company may pay remuneration to its Directors, other than Managing Director and Whole Time Director, upto 1% of the net profits of the Company. If there is no Managing Director or Whole time Director or manager is appointed, then commission may be paid upto 3% of the net profits in a financial year as per the provisions of the Companies Act, 2013.

- If, in case of a Director is appointed in between the financial year then such commission or remuneration shall be paid on pro-rata basis.
- All fees / compensation, if any paid to Non-Executive Directors, including Independent Directors, shall be fixed by the Board of Directors within the limits as prescribed under the Act and shall require prior approval of shareholders, however, the requirement of obtaining prior approval of shareholders shall not apply to payment of sitting fees to Non-Executive Directors, if made within the limits prescribed under the Act.
- The shareholders' resolution shall specify the limits for the maximum number of stock options that can be granted to Non-Executive Directors, in any financial year and in aggregate.
- The reimbursement of expenses for attending the Board and other Committee meetings including travelling, boarding and lodging expenses, shall be paid by the Company.
- Commission may be paid to the Non- Executive Directors and Independent Directors within the limits prescribed under the Act i.e. not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Act and with the prior approval of the Shareholders of the Company. If, in case of a Director is appointed in between the financial year then such commission or remuneration shall be paid on pro-rata basis. The Board shall however, have the authority to determine the manner and proportion in which the amount be distributed amongst the Non- Executive Directors and Independent Directors.

1.12 Employees Stock Options Plan (ESOPs)/ Employees Stock Appreciation Rights (ESARs)

A. The Whole time/Executive Director (in case of a Promoter Director), any Director holding directly or indirectly more than 10% of the outstanding equity shares of the company and the Independent Directors shall not be entitled to any stock options.

B. For other Employees: The ESOPs/ESAR scheme/Plan which was/would be approved & amended from time to time by the Board of Directors, shall be applicable and it will be implemented as per ESOPs/ESAR Plan/Policy approved by the Board for all other employees of the company inter-alia including the employees transferred to the Company due to Amalgamation.

1.13 Remuneration to Key Managerial Personnel (KMP) & Top Managerial personnel-

- The remuneration of the Key Managerial Personnel and Top Managerial personnel shall be determined, after considering the following key factors:
 - a. the Financial and operating performance of the company during the three preceding financial years.
 - b. the principle of proportionality of remuneration within the company, ideally by a rating methodology which compares the remuneration of directors to that of other directors on the board who receives remuneration and employees or executives of the company.
 - c. whether remuneration policy for directors differs from remuneration policy for other employees and if so, an explanation for the difference.

- d. the securities held by the director, including options and details of the shares pledged as at the end of the preceding financial year.
 - e. The level and composition of remuneration that should be reasonable and sufficient to attract, retain and motivate directors/executives and should be in line with the industry practice aimed at promoting the short term and long term interests and performance of the company.
 - f. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
 - g. Remuneration will involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- The remuneration for the Key Managerial Personnel(s) and Top Managerial personnel at the time of the appointment can be approved by the Chairman of Board and any subsequent or annual increments/bonus shall be approved by the NRC Committee or the Chairman of the Board as per the HR policy of the Company and to be reported to the Committee.

1.14 Other Employees excluding KMPs & Top Management Personnel-

- The Annual remuneration & increment for staff below to the grade of KMPs & Top Management Personnel shall be payable & fixed as per HR Policy including all middle & junior grade employees in general and shall be based upon the industry position, business performance, and macro-economic conditions and also be benchmarked to companies in the Housing Finance sector. The reports generated through recognized HR consultancies, industrial reports etc. shall form basis for appropriate benchmarking.
- The performance linked variable component/bonus or the annual remuneration shall be based on the achievement of the individual objectives and performance of the employee.
- The statutory payments such as provident fund, gratuity and superannuation benefits etc. shall be made in accordance with the applicable laws.
- Various factors such as the job profile, experience, skill sets determine the performance rating, the career progression/ incentives/ annual bonus pay-out.
- The head of HR Department shall submit a detailed plan/note containing details on various levels/structures, hierarchy of staff, the process of on boarding & attrition level, training programs conducted etc in this reporting to the Board on half yearly basis.

VII. EVALUATION CRITERIA OF THE BOARD, COMMITTEES, TOP MANAGEMENT PERSONNEL AND THE EMPLOYEES:

A. Evaluation criteria for the Board:-

i. Executive Director-

- The evaluation of the Executive Director shall be carried out basis the present performance (financial/non-financial) and the achievements of the said Director against various key performance parameters at the end of every financial year.

- The performance of the Chairperson/Executive Director of the company shall be reviewed by the Independent Directors, taking into account the views of other Executive Directors and Non-Executive Directors;
- The performance of the Chairperson/Executive Director shall also be reviewed by the Committee and the Board of Directors.

ii. Non- Executive Director-

- The performance of the Non – Executive Director, who is not an Independent Director, shall be reviewed and evaluated by the Independent Directors in their separate meeting held as per Schedule IV of the Act.
- The performance of the Non – Executive Director shall also be evaluated by the Committee and the Board of Directors, excluding the Director being evaluated.

iii. Independent Director-

- The performance evaluation of Independent Directors shall be done by the Committee and the entire Board of Directors, excluding the Director being evaluated. The evaluation should be carried out as per Schedule IV (Code for Independent Directors) of the Act.
- While evaluating the Independent Director, the contribution made by the Director in the decision taken at the board level and its impact on the performance of the Company shall be considered. The time devoted including the attendance of the Independent Director at various Committee/Board Meetings shall also be considered while evaluating an Independent Director.
- On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of an Independent Director.

iv. Board's /Committees Performance-

- The Board shall evaluate its effectiveness on a continuing basis. Meaningful Board evaluation requires an assessment of the functioning of the entire Board/Committees, contribution of individual directors therein and suggesting together the improvements areas, if any. The Independent Directors shall assess the quality, quantity and timeliness of the flow of information between the management and the Board/Committees that is necessary to enable the Board to discharge its duties reasonably and effectively.
- The Independent Directors shall hold at least one separate meeting in a financial year to review the performance of Non-Independent Directors and the Board as a whole.
- In determining the re-election of a Director, the Board shall consider the performance review carried out by the Independent Directors, Director's past attendance at meetings and participation in and contributions to the deliberations/decisions of the Board.

VIII. SUCCESSION PLAN:

- The Company believes that a planned programme of recruitment and retirement amongst the Top/Senior Management Personnel is of significant importance.
- It is an important part of the Board's work to ensure that there is adequate management development and succession planning particularly at the top levels. Succession planning involves an assessment of the challenges and opportunities facing the Company, and an evaluation of the skills and expertise that will be needed in the future.

- The annual appraisal assessment process for all the employees including the Top/ Senior Management Personnel to be carried out by Committee along with succession planning and employee progression as one of the key attributes. The process is institutionalized in the Company HR framework and by design, it is the responsibility of the superiors to identify the succession path and suggest the training and development of skill necessary for the Company's executives or suggest new recruitment wherever gaps exist.
- The organization hierarchy consists of Junior Management/Middle Management/Senior Management levels, during the annual appraisal process and various strategic meetings, evaluation is done by the top management for identifying employees who can occupy the positions for succession into different roles at different levels within the organization.

IX. DISCLOSURES

- The Company shall disclose the criteria for performance evaluation, terms of the Remuneration Policy as laid down in this policy, in its Intranet/Annual Report or make such other disclosures as may be required under the applicable statutory requirements.

X. REVIEW

- This Policy will be subject to periodical review by the Committee/Board as and when required keeping in view the regulatory changes, other benchmarks, industry practices etc. and such recommendation(s), if any, shall be placed before the Committee/ Board of Directors for their approval.
