



# **NOMINATION AND REMUNERATION POLICY**

**Version 1.0**

## **PREFACE**

This Nomination and Remuneration Policy (“Policy”) has been formulated by Vastu Housing Finance Corporation Limited (“Company”) pursuant to the provisions of Section 178 of the Companies Act, 2013 read with the Rules framed thereunder.

This policy on nomination and remuneration of Directors, Key Managerial Personnel, Senior Management and Employees has been formulated by the Nomination and Remuneration Committee (NRC or the Committee) and has been approved by the Board of Directors of the Company.

## **POLICY OBJECTIVE**

The Nomination and Remuneration Committee has developed this Policy keeping in view the following aspects:

- (a) The level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate Directors and Employees of the quality required to run the Company successfully;
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- (c) Maintenance of appropriate balance between fixed and incentive pay in remuneration to Directors, Key Managerial Personnel and Senior Management reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- (d) Provide consistency in remuneration throughout the Company;

## **DEFINITIONS**

- (a) “**Act**” means the Companies Act, 2013 and the Rules framed thereunder, as may be amended from time to time;
- (b) “**Board**” means Board of Directors of the Company for the time being in force;
- (c) “**Company**” means “Vastu Housing Finance Corporation Limited”;
- (d) “**Committee**” or “**NRC**” means “Nomination and Remuneration Committee” of the Board of the Company, as may be reconstituted by the Board and as may subsist from time to time;
- (e) “**Director**” means person appointed as Director on the Board of the Company pursuant to the applicable provisions of the Act and includes Independent Directors of the Company;
- (f) “**Executive Director**” means person appointed as Whole-Time Director, Executive Director or Managing Director, and holding office as such pursuant to the applicable provision of the Act and includes a Director in the whole-time employment of the Company.

- (g) **“Key Managerial Personnel”** or **“KMP”** means persons as defined in the Act and as appointed in the employment of the Company.
- (h) **“Nomination and Remuneration Policy”** or **“this Policy”** means this Policy for nomination and remuneration of Directors, KMP, Senior Management and Employees of the Company as set out hereby, recommended by the Committee and approved by Board and as amended from time to time.
- (i) **“Senior Management”** means the 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 executive directors, including the functional heads.

### **NOMINATION AND REMUNERATION COMMITTEE**

The Board has constituted Nomination & Remuneration Committee comprising of 2 (two) Non-Executive Directors and 2 (two) Independent Directors pursuant to the provision of the Act and Prudential Norms prescribed by the National Housing Bank for Housing Finance Companies. The composition of the NRC is as per the requirement of the Act and will be maintained at any given point of time. The NRC is playing statutory and consultative role in identifying appropriate personnel to be appointed on the Board and various committees of the Company and building appropriate remuneration structure in the Company. The recognition and appreciation of experience, expertise, advise, efforts and contribution provided by the Directors, KMP, Senior Management and dedication of Employees is to be considered as the foundation to strategize the remuneration structure. The Committee would also consider that composition of remuneration needs to be reasonable and sufficient to attract, retain and motivate directors and senior management of the quality required to run the Company successfully.

In its consultative role, the Committee will provide its recommendations to the Board in respect to matter and tasks as may be assigned by the Board from time to time. The Committee to recommend to the Board effective structures and facilitate a remuneration strategy, which will meet the needs of the Company.

### **Role of the Committee:**

The role of the Nomination & Remuneration Committee (NRC) will be the following:

- To formulate criteria for determining qualifications, positive attributes and independence of a Director.
- To specify manner for effective evaluation of performance of Individual Directors including Independent Directors, the Board and its Committees.
- To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this policy.
- To carry out evaluation of Director’s performance.
- To recommend to the Board the appointment and removal of Directors and Senior Management.
- To recommend to the Board a policy relating to remuneration for Directors, Key Managerial Personnel and other employees.
- To devise a policy on Board diversity.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

- To perform such other functions as may be necessary or appropriate for the performance of its duties.

### **APPOINTMENT AND REMOVAL OF DIRECTORS, KMP AND SENIOR MANAGEMENT:**

The criteria for the appointment of Directors, KMP and Senior Management are as follows:

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his/her appointment.
- The candidate shall possess adequate qualification, expertise and experience for the position he/she is considered for appointment.
- The appointment of any Whole-Time Director/KMP/Senior Management shall also be governed by the prevailing employment policy of the Company.
- A whole-time KMP of the Company shall not hold office in more than one Company except in its subsidiary company at the same time. However, he/she can be appointed as a Director in any company with the permission of the Board.
- In case of an Independent Director, the proposed appointee should possess the desired attributes and should possess all the qualifications as prescribed under Section 149(6) of Companies Act, 2013.

### **Term/Tenure:**

#### **Managing Director/Whole-time Director:**

The Company may appoint or re-appoint a person as its Executive Chairman, Managing Director or Executive 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.

#### **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 for another term up to five consecutive years.

No Independent Director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director. 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

The terms and conditions of appointment as well as re-appointment will be as prescribed from time to time under the Companies Act, 2013.

### **Removal:**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations thereunder or for such other compelling reasons, the Committee may recommend to the Board with reasons recorded in writing, removal of any Director, KMP or Senior Management Personnel subject to the provisions and compliance to the Act, Rules and Regulations and applicable policies of the Company.

### **Retirement:**

The Independent Directors shall not be liable to retire by rotation at every Annual General Meeting. The other Directors, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and prevailing policies of the Company. The Board will have the discretion to retain the Whole-time Directors, KMP or other Senior Management Personnel in the same position/remuneration or otherwise, for the benefit of the Company.

A Whole-time Director will be liable to retire from the Company on attaining the age of seventy years. However, the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution as per the provisions of the Act.

### **EVALUATION/ ASSESSMENT OF DIRECTORS/ KMPS/SENIOR MANAGEMENT**

The evaluation/assessment of the Directors, KMPs and the senior management of the Company is to be conducted on an annual basis

The following criteria may assist in determining how effective the performances of the Directors/KMPs/Senior Management have been:

- leadership & stewardship abilities
- contributing to clearly define corporate objectives & plans
- communication of expectations & concerns clearly with subordinates
- obtain adequate, relevant & timely information from external sources.
- review & approval achievement of strategic and operational plans, objectives, budgets
- regular monitoring of corporate results against projections
- identify, monitor & mitigate significant corporate risks
- assess policies, structures & procedures
- direct, monitor & evaluate KMPs, senior management
- review management's succession plan
- effective meetings
- assuring appropriate board size, composition, independence, structure
- clearly defining roles & monitoring activities of committees

### **REMUNERATION TO NON-EXECUTIVE DIRECTORS**

The remuneration of the Non-Executive Director ("NED") including Non-Executive Independent Director ("NEID") includes remuneration by way of sitting fees within the overall statutory limit as prescribed in the Act and as may be decided by the Board of Directors from time to time.

#### **- Sitting fees**

The NED and NEID will be paid sitting fees for attending meetings of the Board of Directors and its Committee(s) of which he/she is member, as may be decided by the Board of Directors with the overall limits in the Act.

Amount of sitting fees shall not exceed Rupees One Lakh per meeting of the Board or committee thereof. The sitting fees paid to Independent Directors and Women Directors shall not be less than the sitting fee payable to other directors.

### **- Remuneration**

The NED may be paid remuneration by way of commission as a percentage of profits on annual basis, as may be decided by the Board of Director, pursuant to the applicable provision the Act subject to approval of Members of the Company.

The distribution of commission amongst the NEDs will be placed before the Board. The commission will be distributed on the basis of their attendance and contribution at the Board and certain Committee Meetings as well as time spent on operational matters of the Company.

### **REMUNERATION TO EXECUTIVE DIRECTORS**

The remuneration of the Executive Directors ("ED") shall include salary, perquisites and allowances (fixed component) and commission and/or performance incentives (variable component). The remuneration to ED will be as recommended by the Nomination & Remuneration Committee to the Board and approved by Members of the Company on the recommendation of the Board. The Board to propose to the shareholders, the remuneration including appropriate mix of fixed and variable components and other terms for appointment of the ED, considering qualifications, experience, technical skills, requirement of the Company and prevailing market conditions. While determining the remuneration proposal, the Board to consider the recommendation of the NRC and result of performance evaluation.

#### **- Fixed Component**

The EDs to be paid remuneration by way of monthly salary / fixed component, as per preapproved terms and as per the provisions of the Act and the rules made thereunder.

#### **- Variable Component**

The ED may also be paid performance incentives and / or remuneration by way of commission as percentage of profit of the Company as per audited financial statement, within range as approved by the Members. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the NRC, subject to overall ceilings and applicable statutory provision stipulated in the Act and other applicable provisions as may be applicable from time to time. Amount payable to ED is determined based on appointment terms, performance criteria as the Board may consider appropriate keeping in view the performance of the Company for relevant financial year in terms of the turnover and net profits, cash profit, performance and contribution by particular Executive Director, achievements, critical projects performance, remuneration paid in previous year, industry standard, and other factors as the Board may think appropriate. The Board to consider the recommendation of the NRC and result of performance evaluation.

#### **- Facilities**

The Company provides to the Executive Directors all facilities and office support, as may be necessary in relation to execution of his office duties and to attend operation and business commitments of the Company.

#### **- Variable Pay and Increment(s) in Remuneration of Executive Directors**

The NRC can consider and recommend payment of Variable Pay and Increment in Remuneration of Executive Directors within the overall statutory limit as prescribed in the Act and as may be decided by the Board of Directors from time to time.

**- Remuneration in case of no profit or inadequate profit**

In case, there will be no profit or inadequate profit in any financial year, remuneration to ED will be as per the appointment terms determined by the Board, subject to applicable provision of the Act / applicable law.

**REMUNERATION TO THE KEY MANAGERIAL PERSONNEL**

The remuneration of the Key Managerial Personnel shall consist of fixed pay and variable pay, in compliance with the provisions of the Companies Act, 2013.

**- Fixed Pay**

The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as recommended by the NRC and approved by the Board from time to time.

**- Variable Pay**

The Variable Component shall be recommended by the NRC and decided by the Board based on the balance between performance of the Company and performance of the Key Managerial Personnel to be decided annually or at such intervals as may be considered appropriate.

**REMUNERATION TO THE SENIOR MANAGEMENT**

The Committee will review and recommend the remuneration of the Senior Management annually or at such other intervals as appropriate at the time of performance appraisal. The Committee to recommend increase, restructuring with of remuneration of all or few members of Senior Management as it thinks appropriate.

**STOCK OPTIONS**

As and when desirable or requested by the Board, the Committee will perform function in respect to devising / monitoring Employees Stock Option Schemes and give its recommendation / allot sweat equity shares, grant, vest and exercise of stock options and/or similar rewards to the eligible Directors, KMP, Senior Management Personnel and other Employees, as may be permitted under the applicable law or approved Schemes.

Independent Directors shall not be entitled to stock options of the Company.

**DISCLOSURES**

Remuneration paid to the Directors shall be disclosed in the Annual Report of the Company.

**AMENDMENTS IN THE POLICY**

Any amendment or modification to the Nomination and Remuneration policy shall be approved by the Board on the recommendation of the NRC committee. The contents of this policy shall be disclosed on the website of the Company.