

Nomination and Remuneration Policy

Approvals

Date	Approving Authority
October 27, 2023	Board of Directors
February 10, 2023	Board of Directors
July 30, 2022	Board of Directors
November 02, 2021	Board of Directors
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NOMINATION AND REMUNERATION POLICY

1. INTRODUCTION

India Shelter Housing Finance Limited (“**Company**”) strives to have a proper framework to attract & motivate good candidates, improve productivity and aid in retaining manpower by creating a congenial work environment, encouraging initiatives with personal growth through team-work, and by inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits.

In line with the Company’s above philosophy, the Board of Directors (“**Board**”) have constituted the Nomination and Remuneration Committee (“**Committee**”) as required under the provisions of Section 178 of the Companies Act, 2013, and the Non-Banking Financial Company Housing Finance Company (Reserve Bank) Directions, 2021 issued by the Reserve Bank of India (hereinafter referred to as the “**RBI HFC Directions**”). Accordingly, the Company, with the approval of the Board, has adopted this Nomination and Remuneration Policy (“**Policy**”).

The RBI, vide its notification dated October 22, 2021, prescribed the “Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs dated October 22, 2021” (“**SBR Framework**”) which is applicable on the Non-Banking Financial Companies including Housing Finance Companies (collectively referred to as “**NBFCs**”). As per the SBR Framework, NBFCs in Middle Layer and

NBFCs in Upper Layer are required to comply with the ‘Compensation Guidelines’ prescribed by the

RBI. Thereafter, the RBI prescribed the ‘Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs’ (“**RBI Compensation Guidelines**”), vide notification dated April 29, 2022, which has prescribed certain additional requirements with respect to fixing of compensation and remuneration of KMPs and SMPs of NBFCs in Middle Layer and NBFCs in Upper Layer.

2. APPLICABILITY

This Policy is applicable for appointment/ nomination and remuneration of the following:

- 2.1 Directors; viz. Executive, Non-Executive and Independent Directors.
- 2.2 Key Managerial Personnel (“**KMP**”).
- 2.3 Senior Management Personnel (“**SMP**”).

Once approved by the Board, this Policy shall supersede all previous versions of Nomination and Remuneration Policy.

3. OBJECTIVES

This Nomination and Remuneration Policy has been formulated to ensure compliance with the following objectives:

- 3.1 The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMPs and SMPs with appropriate qualities, experience and skills required to be maintained to run the Company successfully.
- 3.2 Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- 3.3 Remuneration to Directors, KMPs and SMPs 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.
- 3.4 To guide the Company in relation to appointment, removal of Directors & KMPs and evaluation of their performance.
- 3.5 To recommend remuneration based on the financial position and trends and practices prevailing in the industry while at the same time ensuring that Company is able to attract best talent to work with it.
- 3.6 To carry out evaluation of performance of the Directors, KMPs and SMPs to provide for reward(s) directly linked to their effort, performance, dedication and achievement relating to the Company’s operations.
- 3.7 To retain, motivate and promote talent along with ensuring long term sustainability of talented employees and creating competitive advantage.
- 3.8 To perform such other functions as may be necessary or appropriate for the performance of its duties and mandated by the Board from time to time.

4. DEFINITIONS

In this Policy, unless the context otherwise requires, following are the definitions:

- 4.1 “**Act**” or “**Companies Act**” means Companies Act, 2013 and rules made thereunder, as amended from time to time.

- 4.2 “**Board**” means the Board of Directors of the Company.
- 4.3 “**Committee**” or “**NRC**” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board under applicable provisions of Companies Act, 2013 and the applicable provisions of the ‘Non-Banking Financial Company- Housing Finance Company (Reserve Bank) Directions, 2021’ (“**RBI Directions**”).
- 4.4 “**Company**” means India Shelter Finance Corporation Limited.
- 4.5 “**Directors**” means Directors appointed by the Board including Executive, Non- Executive and Independent Directors.
- 4.6 “**Other Employees**” means all employees other than the Directors, KMPs and Senior Management Personnel.
- 4.7 “**Independent Director**” means a director referred to in Section 149 (6) of the Companies Act, 2013.
- 4.8 “**KMP**” or “**KMPs**” means the following Key Managerial Personnel:
- (a) Chief Executive Officer and/ or Managing Director or Manager of the Company.
 - (b) Chief Financial Officer of the Company.
 - (c) Company Secretary of the Company.
 - (d) Whole Time Director of the Company; and
 - (e) Such other officer of the Company as may be decided by the Nomination and Remuneration Committee.
- 4.9 “**Member**” means a Director of the Company appointed as member of the Committee.
- 4.10 “**Policy**” means this Nomination and Remuneration Policy.
- 4.11 “**Senior Management Personnel**” or “**Senior Management**” means ‘personnel of the company who are members of its core management team excluding Board of Directors comprising all functional and departmental heads one level below the Executive Directors.

5. INTERPRETATION

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

6. NOMINATION AND REMUNERATION COMMITTEE

The composition, frequency of meeting and charter of the Committee shall be governed by the Committee Charter as may be approved/ updated by the Board, from time to time in accordance with the Companies Act, as amended.

The role of the Committee shall be to ensure compliance with the relevant provisions of the Companies Act, RBI HFC Directions and the RBI Compensation Guidelines. The Committee shall oversee framing, review and implementation of this Policy. The Committee shall ensure 'Fit and Proper' status of proposed/ existing Directors is maintained as per the statutory/regulatory requirements and that there shall be no conflict of interest in appointment of directors on the Board of the Company, the KMPs and the SMPs.

The Committee, as and when required, would work in close coordination with the Enterprise Risk Management Committee to achieve effective alignment between compensation and risks. Further, the Committee, while discharging its duties, shall 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 and the capital adequacy requirements, as applicable from time to time.

7. CRITERIA FOR APPOINTMENT

- 7.1** The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director or KMP recommend to the Board of his/ her appointment.
- 7.2** A person recommended for the position of Director, KMP and Senior Management Personnel, if applicable, should possess adequate qualification, expertise and experience for the concerned position. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- 7.3** Appointment of Independent Directors is subject to compliance of provisions of Section 149 of the Companies Act, 2013, read with Schedule IV and rules thereunder.
- 7.4** The Company shall not appoint or continue the employment of any person as Whole-Time Director who has attained the age of seventy years. Provided that 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 in the general meeting of the Company based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

8. TERM / TENURE

8.1 Managing Director / Whole-time Director

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

8.2 Independent Director

Subject to the provisions of the applicable laws, 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 reappointment for another term upto 5 consecutive years by passing of a special resolution by the Company and disclosure(s) 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.

9. EVALUATION

The Committee shall carry out evaluation of performance of every Director/ KMP and required Senior Management Personnel based on the applicable regulations, at least once in a year.

10. DISQUALIFICATIONS FOR APPOINTMENT OF DIRECTORS

No person shall be appointed as a Director of the Company who is disqualified as per provision of Section 164 of the Companies Act, 2013 and other applicable provisions or rules thereunder.

11. REMOVAL

Due to the reasons for any disqualification or for any other reasons, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, a KMP and Senior Management Personnel as per the provisions of the applicable laws/ regulations.

12. RETIREMENT

The Directors, KMPs and Senior Management Personnel shall retire as per the terms of their appointment and subject to the provisions of the applicable laws. The Company may retain the Directors or KMPs or Senior Management Personnel even after the attainment of retirement age, for the benefit of the Company, and such terms as may be recommended/ approved by the Committee or the authority approving such appointment.

13. REMUNERATION STRUCTURE

13.1 Remuneration

13.1.1 General

- (a) The remuneration/ compensation/ commission etc. to be paid to the Director and KMP will be determined by the Committee and shall be recommended to the Board for its approval. The remuneration/ compensation/ commission etc. shall be paid to the Director and KMP subject to the provisions of the Act and such other approvals as may be required in this regard.

- (b) The remuneration and commission to be paid to the Directors and KMPs shall be in accordance with the percentage/ slabs/ conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act, 2013.
- (c) Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of the Directors & KMPs.
- (d) Where any insurance is taken by the Company on behalf of its Directors and KMPs for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

13.1.2 Fixed pay-The Directors and KMPs shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.

13.1.3 Minimum Remuneration- If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Directors and KMPs in accordance with applicable provisions of the Act.

13.1.4 Provisions for excess remuneration- If any Director, KMP or Senior Management Personnel draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the central government, wherever required, he/ she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the central government.

13.2 Remuneration to Independent Director

13.2.1 Remuneration / Commission: The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

Sitting Fees: The Independent Director shall be paid the same amount of sitting fee as are payable for attending the meeting of the Board of Directors from time to time. , pursuant to a resolution passed by our Board on March 31, 2022, our Independent Directors are entitled to receive the following sitting fees and commission for attending meetings of our Board or its committees:

- (i) sitting fees of ₹ 0.10 million for attending each meeting of our Board;
- (ii) sitting fees of ₹ 0.07 million per sitting for every meeting of the Audit Committee;
- (iii) sitting fees of ₹ 0.07 million for every meeting of the Nomination and Remuneration Committee;

- (iv) sitting fees of ₹ 0.07 million or every meeting of the Risk Management Committee;
- (v) sitting fees of ₹ 0.04 million for every meeting of the Corporate Social Responsibility Committee;
- (vi) sitting fees of ₹ 0.04 million per sitting for every meeting of the Information Technology Strategy Committee;
- (vii) sitting fees of ₹ 0.04 million per sitting for every meeting of the Independent Directors; and
- (viii) sitting fees of ₹ 0.04 million per sitting for any other meeting.

13.2.2

13.2.3 Commission: Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

13.2.4 Stock Options: An Independent Director shall not be entitled to any stock option of the Company.

13.3 Additional aspects relating to remuneration/ compensation to Key Managerial Personnel and Senior Management Personnel

13.3.1 Components and Risk Alignment- For KMPs and SMPs, the remuneration shall be kept reasonable based on the relevant factors including adherence to statutory requirements, industry practices, key responsibility areas assigned and the achievement thereof. The increments shall usually be linked to their performance as well performance of the Company. The total compensation may comprise of fixed, and variable pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks. The Company shall ensure that the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

Generally, compensation for a KMP/ SMP could comprise of:

- (a) Fixed Pay
- (b) Variable Pay
- (c) Gratuity and contribution to Provident Fund
- (d) Mediclaim, Personal Accident Insurance and Life Insurance Coverage as per policy of the Company.

- (e) Such other benefits/ perquisites as may be periodically determined relevant by the HR policies of the Company.

13.3.2 Composition of Fixed Pay- It shall be decided based on skills, experience and performance of the employee. Further, it shall also factor roles & responsibilities, market value of the job etc. Fixed compensation will include basic salary, HRA, special allowance, contribution to provident fund, gratuity etc. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.), if any, shall also be part of Fixed Pay Compensation.

13.3.3 Principles for Variable Pay to KMPs and SMPs

- (a) Variable Pay, its Proportion and Deferral- Variable compensation which may be in the form of share-linked instruments, or a mix of cash and share-linked instruments. The share-linked instruments shall be in conformity with relevant statutory provisions. The KMPs and Senior Management Personnel may also be eligible for Long Term Incentive Plan in the form of stock options or any other equivalent instruments.
- (b) Proportion of Variable Pay- The proportion of Variable Pay in total compensation shall be commensurate with the role and prudent risk-taking profile of KMPs and Senior Management Personnel. At higher levels of responsibility, the proportion of variable pay shall be higher. There shall be proper balance between the cash and share-linked instruments in the variable pay compensation in case the variable pay contains share linked instruments. The variable pay shall be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and company-wide level. In order to do so, performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.
- (c) Deferral of Variable Pay- Not all the variable pay compensation awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the Board/ the NRC of the Company, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for cash or/and non-cash components of the variable pay. Deferral period for such an arrangement may be decided by the Board/ the NRC of the Company.
- (d) Control and Assurance Function Personnel- KMPs and SMPs engaged in control and assurance functions like financial control, risk management, compliance and internal audit shall be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Company. Accordingly, such personnel could have higher proportion of fixed compensation. However, a reasonable proportion of

compensation will be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

13.3.4 Guaranteed Bonus- Guaranteed Bonus shall not be paid to KMPs and Senior Management Personnel. However, for new hiring, joining/sign-on bonus may be considered. Such joining/sign-on bonus shall neither be considered part of fixed pay nor of variable pay.

13.3.5 Malus/ Clawback Arrangement- The deferred compensation shall be subject to malus or clawback arrangements in the event of subdued or negative financial performance of the Company and/or the respective line of business or employee misconduct in the intervening period.

In this regard, a malus arrangement would be one which shall permit the Company to prevent vesting of all or part of the amount of a deferred remuneration. However, a malus arrangement shall not reverse vesting after it has already occurred.

Further, a clawback would be a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances.

In the situations/ instances where the financial statements are required to be re-stated due to fraud or non-compliance with any requirement under the Companies Act, 2013 and the rules made thereunder or non-compliance with the RBI HFC Directions, the Company shall invoke the malus and clawback clauses that may be applicable on entire variable pay including any past or present KMP/ Senior Management personnel who, during the period for which the financial statements are required to be re-stated, received the remuneration (including stock option) in excess of what would have been payable as per the restatement of financial statements. Board/ NRC may specify any other situation for malus and clawback clauses. While setting criteria for the application of malus and clawback, the Board/ NRC may also specify a period during which malus and/or clawback can be applied, covering at least the deferral and retention periods. For this purpose, retention period shall be a period of time after the vesting of instruments (which have been awarded as variable pay) during which they cannot be sold or accessed.

Malus and clawback provision of the policy shall be effective from April 1, 2023 and will apply to variable pay accruing after effective date.

13.4 Remuneration to Other Employees including Senior Management Personnel

13.4.1 The remuneration of other Employees shall be determined from time to time on the basis of role and position of individual employee including professional experience, responsibility, job complexity and market conditions and as per the guiding principle outlined above and considering industry standard and cost of living.

13.4.2 In addition to basic salary they may also provide perquisites and retirement benefits, where applicable.

13.4.3 A performance appraisal shall be carried out annually and promotions/ incentives / increments shall be based on performance basis.

13.4.4 The Company shall ensure due compliance with the applicable statutory/ regulatory requirements from time to time, specifically for any designated Senior Management Personnel.

14. SUCCESSION PLANNING

14.1 Succession Planning for the Directors (including Independent Directors) shall be done by the NRC, subject to the applicable statutory/ regulatory requirements.

14.2 The Company shall adopt a Succession Planning process as under:

- (a) Identification of prospective candidates for SMP roles shall be done on the basis such candidates contribution towards the achievement of the Companies vision and objectives while performing exceedingly well in their roles and responsibilities.
- (b) The Succession Plan shall be based on potential and performance levels.
- (c) The Company shall identify and maintain pool of such talents who could fit in the SMP roles in future.
- (d) The Company shall manage, develop, upskill, and train the pool of identified talents.

15. POLICY REVIEW AND AMENDMENT

15.1 The provisions of this Policy shall be subject to the provisions of the Act & the rules made thereunder and applicable regulations.

15.2 The Policy shall be reviewed by the Board from time to time as may be necessary and may be amended or modified either whole or in part as and when necessary.

15.3 In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

15.4 In the event of any inconsistency between this Policy and the applicable laws, the applicable laws will prevail.

16. DISCLOSURE

The details of this Policy and the evaluation criteria as applicable shall be disclosed in the Annual Report as part of the Board's Report therein.