



NOMINATION AND REMUNERATION/ COMPENSATION (NRC) POLICY
OF
SATIN HOUSING FINANCE LIMITED
(VERSION 3.0)

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Nomination and Remuneration/ Compensation Policy (NRC Policy)

(I) Background

Satin Housing Finance Limited (hereinafter referred to as "the Company" or "SHFL") is a public limited company incorporated under the provisions of the Companies Act, 2013 ("Act") and registered as a Housing Finance Company ("HFC") with the National Housing Bank ("NHB"), presently regulated by Reserve Bank of India ("RBI").

The Nomination and Remuneration Committee's constitution, powers, functions, and duties, as well as this policy, shall be in compliance with the provisions of Section 178 of the Act, read in conjunction with the applicable rules made thereunder, Reserve Bank's Master Directions of 2021 for Housing Finance Companies issued on February 17, 2021, and RBI's Circular dated April 29, 2022, on Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs ("RBI Guidelines").

(II) Objectives

The objectives of this policy are to ensure, at a minimum, compliance with all guiding principles provided in RBI Guidelines and the Act, including:

- The constitution of the Nomination & Remuneration Committee ("NRC" or "Committee");
- Ensuring that the level and composition of remuneration are reasonable and sufficient to attract, retain and motivate directors and senior management personnel of the quality required to run the company successfully;
- Ensuring that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- Ensuring that the remuneration policy is transparent, fair, and consistent with the company's business strategy and objectives;
- Ensuring that the policy aligns the remuneration with the interests of the company and its stakeholders, including shareholders, employees, and customers;
- Ensuring that the policy takes into account the financial position of the company, trends in the industry, and other relevant factors;
- Providing a framework for the appointment of directors and senior management personnel, taking into account the diversity of the Board and senior management, and ensuring that the Board and senior management have the appropriate mix of skills and experience to effectively manage the company;
- Establishing principles for fixed/variable pay structures; and
- Providing Malus/clawback provisions.

The Committee reviews and, wherever required, recommends to the Board the human resource policies, incentive plans to employees, evaluation of performances, feedback, employee's satisfaction and development. It also provides support in handling the nomination and remuneration proposals for the Board members, including Independent Directors.

(III) Definitions

- (1) **“Act”** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time;
- (2) **“Board”** means Board of Directors of the Company;
- (3) **“Clawback”** means 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.
- (4) **“Company”** means Satin Housing Finance Limited;
- (5) **“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;
- (6) **“Compensation Policy”** means Nomination and Remuneration Policy.
- (7) **“Directors”** mean Directors of the Company.
- (8) **“Deferral Period”** refers to the time between the award of variable pay and the actual payout, which can range from a few months to a few years.
- (9) **“Independent Directors”** means Directors who has been appointed by Company in terms of Section 149 of Companies Act, 2013.
- (10) **“Key Managerial Personnel”** means-
 - (a) Chief Executive Officer or the Managing Director or the Manager;
 - (b) Whole-time Director;
 - (c) Chief Financial Officer;
 - (d) Company Secretary; and
 - (e) such other officer as may be prescribed.
- (11) **“Malus”** means an arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred;
- (12) **“Retention Period”** means a period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed;
- (13) **“Senior Management Official”** means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads.

(IV) Applicability

Based on the definitions provided previously, the policy applies to all Directors, Key Managerial Personnel, and Senior Management Officials of the Company. Additionally, the NRC may identify

other employees who are subject to the policy based on their role and responsibilities from time to time.

(V) Nomination and Remuneration Committee (NRC)

(1) Composition

It shall consist of three or more non-executive directors out of which not less than one half shall be Independent Directors.

Provided that the Chairperson/ Chairman of the Company (whether executive or non-executive) may be appointed as a Member but shall not chair such Committee.

(2) Meetings

The meetings of the Committee shall be held at least once a year or as and when required under the provisions of the Companies Act, 2013 and rules made thereunder and as per any other applicable laws, if any, for the time being in force.

(3) Secretary and Minutes

The company secretary / member of compliance team shall act as the secretary for the committee meetings. Minutes of the meetings shall be recorded and maintained by the secretary and shall be presented to the Committee for its approval at its subsequent meeting. These shall be signed by the chairman of the said meeting or by the chairman of the succeeding meeting.

(4) Quorum

The quorum for the Committee meeting shall be as per Companies Act, 2013 or as decided by Board. The Chairperson of the Company may be appointed as member of this Committee but shall not chair such Committee.

(5) Invitation to executives

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

(6) Reporting to the Board

The Committee shall report to the Board on material matters arising at the Committee meetings and where applicable, shall present the Committee's recommendations to the Board for its approval.

(7) Delegation of responsibilities and authorities

The Committee is authorized to delegate its responsibilities or authorities to such person(s) at its discretion, subject to the provisions of the Companies Act, 2013 and other applicable laws.

(8) Roles and Functions of the Committee

The Nomination and Remuneration Committee (NRC) has several functions as part of its role in overseeing the implementation of Company's Nomination and Remuneration/Compensation Policy. These functions include:

- **Bouncing Board for Hiring and Compensation:** Providing guidance on employee compensation matters based on industry benchmarking, apart from being a bouncing board for senior level hiring. Recommend compensation-based remuneration for approval by the Board for Directors, KMPs and SMPs, and to ratify annual increments or other employee compensation matters as recommended by the Management.
- **Policy:** Framing, reviewing, and implementing the Nomination and Remuneration/Compensation Policy, which must be approved by the Board of Directors of the company, and ensuring that the policy complies with applicable rules and regulations, including those under the Companies Act, 2013 and the Reserve Bank of India's guidelines on compensation for key managerial personnel and senior management in non-banking financial companies.
- **Risk aligned compensation:** Working in close coordination with the Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risks, to ensure that the company's remuneration policy considers the risks associated with the business and aligns with the company's risk management strategy.
- **Capital aligned compensation:** Ensuring that the compensation levels for the company's employees, especially the senior management and key managerial personnel, are supported by the need to retain earnings of the company and the need to maintain adequate capital based on the Internal Capital Adequacy Assessment Process (ICAAP). This means that the NRC must ensure that the compensation levels are reasonable, sustainable, and aligned with the company's financial position, risk profile, and capital requirements. It also ensures that the compensation structure incentivizes the employees to contribute to the long-term growth and success of the company.
- **Fit & Proper Criteria:** The Nomination and Remuneration Committee (NRC) is also responsible for ensuring that proposed or existing directors, key managerial personnel (KMP), and senior management meet the 'fit and proper' criteria. To ensure that the 'fit and proper' criteria are met, the NRC must review the qualifications, experience, and background of the proposed or existing directors, KMP, and senior management. This includes verifying that they possess the necessary skills and experience to fulfill their roles and responsibilities effectively and that they do not have any disqualifications or convictions that would render them unfit for the position.
- **Avoiding conflict of interest:** The NRC must also ensure that there is no conflict of interest in the appointment of directors, KMP, and senior management. This means that these individuals must not have any direct or indirect interest, financial or otherwise, in any company or business that may be in conflict with the interests of the company. The NRC must also ensure that the proposed or existing directors, KMP, and senior management do not have any personal or professional relationships that may create conflicts of interest or compromise their independence and objectivity.

(VI) Appointment of Director, KMP and Senior Management

(1) Appointment criteria and qualifications

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.

A person should possess adequate qualifications, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

Whilst deciding about appointment /re-appointment of a proposed/existing Director, the Committee shall also ensure that:

- there is no conflict of interest in appointment of directors on Board of the Company, KMPs and senior management and their independence is not subject to potential threats;
- the proposed appointee meets the 'fit & proper' standards; and
- the proposed appointee is not disqualified under the Act or regulatory directions to be appointed as Director of the Company.

(2) Term / Tenure

Managing Director/Whole-time Director:

The Company shall appoint/ re-appoint any person as its Managing Director or Whole Time/ 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 on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms of up to maximum of 5 years each, 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.

(3) Succession Planning:

The NRC will be responsible for Succession Planning for all Directors, including Independent Directors, while complying with relevant statutory and regulatory requirements.

(VII) Principles for Remuneration/ Compensation

(1) Remuneration Framework

- i. The key components of remuneration package of the Senior Management and other employees of the Company shall be as per extant human resource policy of the Company in this regard.
- ii. The annual increments for the Senior Management and KMP (other than Executive/ Whole Time Directors) shall be linked to their overall performance and reviewed in accordance with remuneration framework approved/ recommended by the NRC.
- iii. The annual increments for other employees shall be linked to their overall performance and as decided by the Managing Director in consultation with their reporting managers and Human Resources Department.
- iv. NRC to consider any other matters as may be requested by the Board.

(2) Remuneration to Managing/ Whole-time/ Executive Director, KMPs and Senior Management Personnel

The remuneration / compensation / commission etc. to the Managing Director / Whole-time Director, shall be recommended by the Nomination and Remuneration Committee to the Board for approval. Such recommendations must be in accordance with the provisions of the Companies Act, 2013, and the rules made thereunder, as well as the RBI's Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs dated April 29, 2022. Additionally, the recommendations must be consistent with any other applicable laws and the provisions of this Policy, as amended from time to time.

(3) Remuneration to Non- Executive / Independent Director

The Non-Executive/ Independent Director may receive remuneration / compensation /commission as per the provisions of Companies Act, 2013. The amount of sitting fees shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

(4) Components of Compensation and Risk Alignment

The following components may be part of the overall compensation structure of KMPs and senior management personnel:

- i. **Fixed Pay:** Basic Salary, along with all fixed items of compensation, perquisites, Mediclaim benefits, life insurance cover; personal accident cover, furnishing allowance, club membership, contribution towards superannuation funds or retiral benefits, accumulation towards Gratuity calculated on the years' basic pay, reimbursable (with monetary ceilings), monetary equivalents of benefits of non-monetary benefits (furnished house, company car, etc.).
- ii. **Variable Pay:** Variable pay such as long-term incentive plans (LTIPs), yearly bonuses, and incentives. These types of pay should be truly and effectively variable, and can be

reduced to zero based on the performance of the individual, business unit, and company-wide levels.

- iii. **Others:** Other payments, which shall neither be considered part of fixed pay nor of variable pay and may include new hiring joining/sign-on bonuses.

NRC will take of following to ensure that the Compensation for KMPs and senior management should be reasonable and in line with statutory requirements and industry practices:

- (a) The Fixed portion of the compensation shall be reasonable, taking into account relevant factors including the industry practice, competency, competition, criticality of job, grade, experience and performance of the employee.
- (b) Variable pay should be aligned with prudent risk-taking to prevent incentivizing unnecessary risk.
- (c) Compensation outcomes should be symmetric with risk outcomes to hold individuals accountable for negative outcomes.
- (d) Payouts should be sensitive to the time horizon of risks.
- (e) The mix of cash, equity, and other compensation should be consistent with risk alignment.
- (f) **Guaranteed Bonus:** No guaranteed bonuses are paid to KMPs and senior management, except for hiring /sign-on bonuses to be paid to a new hire. The said bonus shall not form part of Fixed or Variable pay.

(5) Principles for Variable Pay:

NRC will take into account the following principles of variable pay while structuring the compensation package for KMP/Senior Management Personnel:

- i. **Proportion:** The proportion of variable pay in total compensation should be commensurate with the role and prudent risk-taking profile of KMPs/senior management.
- ii. **Higher Levels of Responsibility:** At higher levels of responsibility, the proportion of variable pay needs to be higher.
- iii. **Balance:** There should be a proper balance between cash and incentives in the variable pay.
- iv. **Effectively Variable:** The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit, and company-wide level.
- v. **Performance Measures:** Performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.
- vi. **Deferral:** A portion of the variable pay awarded after performance assessment may be deferred to the time horizon of the risks, as decided by the Board / NRC of the company.
- vii. **Control and Assurance Function Personnel:** KMPs and senior management engaged in financial control, risk management, compliance, and internal audit may be compensated in

a manner that is independent of the business areas they oversee and commensurate with their key role in the company. Such personnel may have a higher proportion of fixed pay, however, a reasonable proportion of compensation may be in the form of variable pay to allow for the exercising of the options of malus and/or clawback, when warranted.

(6) Malus/ Clawback

- i. **Malus:** The Malus arrangement allows the company to withhold cash bonuses or other variable pay. The Malus provision can be invoked to deferred compensation if the Board and/ or the Nomination & Remuneration Committee deem it necessary and justified.
- ii. **Clawback:** The Clawback arrangement allows the company to require the return of previously paid or vested variable pay in case of gross negligence or misconduct, or violation of the company's code of conduct, policies or terms of employment. The Board and/ or the Nomination & Remuneration Committee may decide to invoke the Clawback provision to deferred compensation if it deems it necessary and justified.
- iii. The following is an inclusive list of instances when Malus and Clawback arrangements may be applied, as decided by the Board or NRC in their discretion:
 - (a) Fraud, misfeasance, breach of trust, dishonesty, or wrongful disclosure of confidential information;
 - (b) Willful misinterpretation/misreporting of the company's financial performance;
- iv. The Company may specify a time period during which Malus and Clawback arrangements may be enforced/ invoked, which will also include at least Deferral Period and Retention Period. This will be to ensure that mechanisms are applied fairly and consistently and that employees are aware of the likely consequences of their actions during these periods.

(VIII) Review and Modification

- (1) This Policy is based on the Companies Act, 2013 and relevant rules, as well as the Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021 and RBI Guidelines (collectively referred to as "applicable regulatory provisions").
- (2) If there are subsequent changes to the applicable regulatory provisions that make any provisions in this policy inconsistent with the applicable law, then the applicable law will take precedence and this policy will be modified accordingly.
- (3) The NRC will review this policy as needed to incorporate any changes due to regulatory updates or as deemed appropriate by the committee. Any recommended changes or modifications to the policy will be presented to the Board of Directors for approval.
