



Compensation Policy for Directors, Key Managerial Personnel and Senior Management Employees

Version	:1.0
Prepared By	:Human Resources
Approved By	:Board of Directors
Effective From	:November 03, 2023



1. Introduction

The Company considers human resources to be a critical and most valuable resource. This policy is on compensation of Directors, Key Managerial Personnel (KMPs) and Senior Management Employees have been formulated in terms of the provisions of the Companies Act, 2013 read along with the applicable rules thereto and directions issued by Reserve Bank of India in order to attract and retain the appropriate talent, pay a fair remuneration to the Directors, KMPs and Senior Management Employees of the Company and to harmonize the aspirations of human resources consistent with the goals of the Company.

2. Objectives

- 2.1 To formulate the criteria for determining qualifications, competencies, positive attributes, and independence for appointment of a Director (Executive / Non-Executive) and recommend to the Board policies relating to the remuneration of the Directors, KMP, and other senior management employees.
- 2.2 To lay out remuneration principles for Directors and KMP's linked to their responsibilities, performance and achievement relating to the role fulfilled and in meeting the Company's objectives, overall governance, and goals.
- 2.3 To provide KMP and Senior management rewards linked directly to their effort, performance and achievement relating to the Company's operations.
- 2.4 To retain, motivate and promote talent and to ensure long term sustainability of talented managerial professionals and create competitive advantage in the housing finance industry.

3. Scope

- 3.1 This policy prescribes guidelines, criteria, and principles for the Committee for recommending to the Board the nomination and remuneration of the directors, key managerial personnel, and senior management employees of the Company.
- 3.2 This policy is applicable to all Directors, KMPs and Senior Management Employees.

4. Constitution of the Nomination and Remuneration Committee

The Board already has constituted the "Nomination and Remuneration Committee" which is in line with the requirements under the Companies Act, 2013 ("Act"). The Board has authority to reconstitute this Committee from time to time.

5. Definitions

- 5.1 'Board' means Board of Directors of the Company.
- 5.2 'Directors' means Directors appointed to the Board of the Company.
- 5.3 'Committee' means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act.
- 5.4 'Company' means Capital India Home Loans Limited.
- 5.5 'Independent Director' means a Director referred to in Section 149 (6) of the Companies Act, 2013 and rules.
- 5.6 Key Managerial Personnel means
 - (i) The Chief Executive Officer or the Managing Director or the Manager,
 - (ii) The Company Secretary,

- (iii) The Whole- Time Directors,
- (iv) The Chief Financial Officer,
- (v) Such other officers, not more than one level below the Directors who are in whole- time employment as may be prescribed by the Act or rules made thereunder.

5.7 "Senior Management" means the personnel of the Company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the executive directors/chief executive officer including the functional head.

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. Policy

I. Policy for appointment and removal of Director, KMPs and Senior Management

Appointment criteria and qualifications

- (i) The Committee shall identify and ascertain the integrity, qualification, expertise, and experience of the person for appointment as Director or KMP's and recommend to the Board his / her appointment.
- (ii) A person to be appointed as Director or KMP 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 are sufficient / satisfactory for the concerned position.
- (iii) A person, to be appointed as a director, should possess impeccable reputation for integrity, deep expertise, and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth, complementary skills in relation to the other Board members.
- (iv) The Company shall not appoint or continue the employment of any person as Managing Director / Executive Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended at the discretion of the committee beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years as the case may be.
- (v) The whole time KMP of the Company shall not hold office in more than one company except in its wholly owned subsidiary company at the same time. However, a whole-time KMP can be appointed as a director in any company, with the permission of the Board of Directors of the Company in advance.
- (vi) The Company should obtain annually as on 31st March, a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith within 15 days.

Term / Tenure

- **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. Re-appointment shall be made before the expiry of term, based on an evaluation of the performance.

- **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 as per the Companies Act, 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.

At the time of appointment of Independent Director, it should be ensured that number of Boardson which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time (Executive) Director of a listed company. Further an independent director shall not be on the Board of more than three NBFC (NBFC-ML or NBFC-UL) at the same time.

- **Evaluation**

The committee shall 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. They will be ranked on the rating system that the company will follow from time to time.

- **Removal**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of the said Act, rules and regulations.

- **Retirement**

The Whole-time Directors, KMP and senior management personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Whole-time Directors, KMP and senior management personnel in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

II. Remuneration to Directors and Key Managerial Personnel

A. Remuneration to Managing Director / Whole-time Directors:

The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Directors, etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the Members of the Company.

The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.

B. Remuneration to Non- Executive / Independent Directors:

The Non-Executive / Independent Directors may receive remuneration / compensation / commission and such

other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees, commission and such other remuneration may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.

All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) 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. The amount of such remuneration shall be such as may be recommended by the Nomination Remuneration and Compensation Committee and approved by the Board of Directors or shareholders, as the case may be.

An Independent Director shall not be eligible to get Stock Options and shall not be eligible to participate in any share-based payment schemes of the Company.

Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (b) above if the following conditions are satisfied:

Components of Remuneration

- **Fixed Pay :**

The Managing Director/ Whole- time Director shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including employer's contribution to PF, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on recommendation of the Committee and approved by the shareholders and Regulatory body, wherever required.

- **Performance Pay :**

The performance pay for the Managing Director/ Whole time Director of the Company shall be recommended by the Committee based on key performance indicators, ie. Policy Framework, Risk Management, disbursement, growth in Asset Under Management, Branch Network expansion, diversification of product lines, Profits, reduction in costs of borrowing asset, quality, innovations, or any other parameters that the Committee feels important. The performance shall be reviewed annually on the above and other parameters as the committee may recommend further.

- **Minimum Remuneration :**

If, in any financial year, the company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director or Whole- time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approvals of the appropriate Regulatory Body.

- **Sitting fees :**

The Directors may receive remuneration by way of fees for attending meetings of Board or Committee thereof provided that the amount of such fees shall not exceed such amount as may be recommended by the Nomination and Remuneration Committee and approved by the Board from time to time.

- **Commission :**

The Directors may receive Commission 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 Companies Act, 2013 and rules made thereunder.

- **Stock Options :**

The Managing Director/ Whole Time Director shall be entitled to get stock options of the Company which shall form part of their remuneration. An Independent Director shall not be entitled to any stock option of the Company.

C. Remuneration to Key Managerial Personnel and Senior Management Employees:

The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay, performance pay or any other nature of pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.

The NRC/ administrator appointed by Board for the purpose of administering the Employee Stock Option/ Purchase Schemes, shall determine the stock options and other share-based payments to be made to Key Managerial Personnel and Senior Management.

The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from time to time. The performance pay shall be decided based on a balance between performance of the Company and performance of the key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

The Board may at their discretion decide on clawback of variable pay paid on earlier for any years to Executive Director, KMP's, senior management relating to separation before pre agreed periods and/ or any clause, as per Company Policy on recommendation from NRC under the following circumstances:

- Material breach of company's Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules, and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus or / and Clawback provisions.
- Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
- Willful misinterpretation / misreporting of financial performance of the company.
- Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
- An act of willful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the company.
- Circumstances that may trigger Malus or Clawback provisions will be annually reviewed by the NRC.

D. The Remuneration to the directors and key managerial personnel shall be in line with the limits prescribed under provisions of the Companies Act, 2013 and rules made there under.

E. The Committee shall periodically review the remuneration payable to the directors and key managerial personnel and recommend any revision thereof on the basis of financial condition of the Company and performance of the director or key managerial personnel.

F. Loan and advances to directors, key managerial personnel, and senior management:

The Committee shall review and approve the loans and advances to directors in line with the requirements of provisions of Companies Act, 2013 and rules made there under. Loan and advances to key managerial personnel and senior management should be as per the Company's policy.

7. Modification and Amendment

This policy is subject to modification and amendments from time to time as recommended by NRC and approved by the Board.

The custodian of this policy is Head- Human Resources.

