



KIFS Housing Finance Limited

**NOMINATION, REMUNERATION
& EVALUATION POLICY**

Version	Prepared by	Reviewed by	Approved by	Approved Date
1.0	Swarnpal Singh Bais	Board	Board	April 27, 2017
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1. Foreword

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and employees of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 as amended from time to time, 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 other employees. The Committee shall also administer the stock option plan/ stock appreciation rights plan of the Company.

Pursuant to Section 178 of the Companies Act 2013, Company has constituted a Nomination and Remuneration Committee at its meeting held on 6th December, 2016. This Committee and the Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

2. Purpose and Objective

1. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
2. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies of the Housing finance industry.
3. To carry out evaluation of the performance and lay down criteria for determining the remuneration of Directors, as well as Key Managerial and Senior Management Personnel.
4. To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

3. Definitions

"Act" means the Companies Act, 2013 and rules made there under and includes any amendment(s)/ modification(s) thereof.

"Board" means Board of Directors of the Company.

"Committee" shall mean the Nomination & Remuneration Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.

"Employees' Stock Option" means the option given to the Directors, Officers or Employees of a company or of its holding company or subsidiary company or companies,

if any, which gives such Directors, Officers or Employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a pre-determined price.

“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. Company Secretary
- iii. Whole Time Director
- iv. Chief Financial Officer and
- v. Such other officer as may be prescribed by the Government.

“Policy” means Nomination, Remuneration and Evaluation Policy.

“Remuneration” means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income Tax Act, 1961.

“Senior Management” shall mean personnel of the Company who are members of its core management team excluding Board of Directors. Normally, this shall comprise of all members of management one level below the Executive Directors, including all functional heads and all employees at Vice President Position and above.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulation(s).

4. Applicability

This Policy shall be applicable to:

- a. Board of Directors
- b. Key Managerial Personnel as defined under Section 2(51) of the Act
- c. Senior Managerial Personnel shall mean personnel of the company who are members of its core management team excluding Board of Directors. Normally, this shall comprise of all members of management one level below the Executive Directors, including all functional heads and all employees at Vice President Position and above.
- d. Other Employees of the Company

5. Scope and Functions

The Committee shall identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and

recommend to the Board, their appointment and removal and shall carry out evaluation of every Director's performance.

The Committee shall ensure that

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- Remuneration to Directors, Key Managerial Personnel and officials working at senior management level 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.

6. Appointment Criteria for the Board and Other Employees

A. For the Board

1. Composition of the Board

- Section 149 of the Companies Act states that every company's board of directors must necessarily have a minimum of three directors if it is a public company. The maximum number of members a company can assign as directors is fifteen. However, the company can pass a special resolution in a general meeting to allow for assigning more than fifteen members to the board of directors. The maximum number of companies that an individual can become a director of, is 20 companies.
- At least, one woman director must be appointed by the company. All listed companies must have at least one-third proportion of their board of directors as independent directors. The Board shall be separate from the management functions and should have expertise in making informed decisions, expediently with the bouquet of variety of perspectives and skills that works together in the best interest of the Company.

2. Appointment Criteria

2.1 Whole Time Director/Executive Director

- The Whole Time Director/ Executive Director shall be appointed as per the applicable provisions of the Act and rules made there under.
- The person to be appointed will be assessed against a wide range of criteria which shall include but not be limited to qualifications, skills, industry experience, fit & proper, background and other attributes required for the said person. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned 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.

- 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 based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

2.2 Non-Executive Director

- The Non - Executive Director shall be appointed as per the applicable provisions of the Act and rules made there under.
- 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 possess relevant expertise which will help the person to act objectively and constructively.

3. Nomination Process

- The Committee shall be responsible to review the structure and composition 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 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 and non-executive directors in their individual capacity.
- 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 the composition as per the provisions of Companies Act, 2013 applicable to the company.
- 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;
 - 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.
- The proposed appointee shall also fulfill 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 endeavor 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 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 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.

4. Term/Tenure

- 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.
- The Company shall appoint or re-appoint a person as its Managerial Person by passing of a requisite resolution.

5. 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.
- 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.

6. Disqualifications for Appointment of Directors

Pursuant to section 164 of the Companies Act, 2013

- i. A person shall not be eligible for appointment as director of the company if-
 - a) he is of unsound mind and stands so declared by a competent court;
 - b) he is undischarged insolvent;

- c) he has applied to be adjudicated as an insolvent and his application is pending;
- d) He has been convicted by a court of any offence, weather involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence.

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company:

- 1) An order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order in force;
- 2) He has not paid any calls in respect of any shares of the company held by him whether alone or jointly with others and six months have elapsed from the last day fixed for the payment of the call;
- 3) He has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or
- 4) He has not complied with sub-section (3) of section 152 of the Companies Act, 2013.

ii. A person who has been a Director of the company which:

- a) Has not filed financial statements or annual returns for any continuous period of three financial years; or
- b) Has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the company fails to do so.

iii. A person shall not be eligible for appointment and continuance as a Director, if he/she is not found 'fit and proper' as per criteria laid down by the Company.

7. 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, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

8. Retirement

The Director, 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 Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the company.

B. For the Employees

9. Key Managerial Personnel (KMP) and Senior Management Personnel

- Section 203 of the Act provides for appointment of whole-time Key Managerial Personnel (“KMP”) by applicable 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 Senior Management 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 Senior Management 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 Executive Director shall be within the ambit of the Committee and the Committee shall be duly informed on the appointments at the Senior Management Personnel level and above.

10. Other Employees

The Company shall recruit individuals with high level of integrity and having desired qualification, skill sets and experience relevant to the Company’s requirements for the specific position for which such individual is interviewed.

7. Remuneration Criteria for the Board and the Employees

A. For the Board

1. Whole time Director/Executive Director

A. Base Compensation (fixed salaries)

- The Whole-time Director /Executive 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 P.F/SIP, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.
- 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).
- If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its 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 approval of the Central Government.

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, fulfillment 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.
- 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 be as per the applicable provisions of the Act and as decided by the Nomination and Remuneration Committee and the Board time to time.
- The Whole-time Director/Executive Director shall not be entitled to sitting fees as per the provisions of the Act.
- The Whole-time Director/Executive Director shall be governed by HR policies as applicable to the other employees of the Company.

2. Non – Executive Director

- The Non-executive Directors of the Company are entitled to sitting fees for attending the meetings of the Board or Committees thereof. Provided that the amount of such fees shall not exceed Rs. One lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.
- 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 as per the applicable provisions of the Act and with the prior approval of the Board and Shareholders of the Company. 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.

3. Stock Options

- The Company may issue stock options to its employees in accordance with the applicable provisions of the Companies Act and as decided by the Board and shareholders of the Company.

B. For the Employees

4. Key Managerial Personnel (KMP) and Senior Management Personnel

- The remuneration of the Key Managerial Personnel and Senior Management shall be determined after considering the following key factors:
 - a. 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.
 - b. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
 - c. 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) at the time of the appointment shall be approved by the Board and any subsequent or annual increments/bonus shall be approved by the Chairman of the Board as per the HR policy of the Company and shall be placed before the next Board meeting.

5. Other Employees including Senior Management Personnel

- The Annual remuneration & increment shall be payable to the 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.

8. Evaluation Criteria of the Board 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 shall also be reviewed by the Committee and the Board of Directors.

ii. Non- Executive Director

- The performance of the Non – Executive 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. Board’s 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 that is necessary to enable the Board to discharge its duties reasonably and effectively.
- In determining the re-election of a director, the Board shall consider the performance review carried out by the Directors, Director’s past attendance at meetings and participation in and contributions to the deliberations/decisions of the Board.

iv. Other Employees

- The performance of the employees is evaluated on annual basis as per Company’s performance evaluation/annual appraisal process. The performance objectives of all employees are determined and aligned with the overall goals / objectives of the Company.
- Various factors such as the job profile, experience, skill sets determine the performance rating the career progression/ incentives/ annual bonus payout.

B. Succession Plan

- The Company believes that a planned programme of recruitment and retirement amongst Board Members and the 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 Senior Management Personnel has 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 shall be as defined by the HR personnel and the Management of the Company, during the annual appraisal process and various strategic meetings; evaluation will be done by the top management for identifying employees who can occupy the positions for succession into different roles at different levels within the organization.

9. Amendments

- 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 the recommendation(s), if any, shall be placed before the Board of Directors for their approval.