

Nomination and Remuneration Policy

I. PREFACE

Pursuant to the provisions of Section 178 of the Companies Act, 2013 (the “Act”), the Company is required to constitute the Nomination and Remuneration Committee.

The Nomination & Remuneration Committee determines and recommends to the Board the compensation payable to Directors. Remuneration for the Executive Directors consists of a fixed component and a variable component linked to the long term vision, medium term goals and annual business plans.

Section 178 of the Act provides that the Committee shall recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees, further the Committee shall also formulate the criteria for determining qualifications, positive attributes and independence of a director.

This Committee and the Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

The Board of Directors have approved this policy in its meeting held on 18th July, 2017.

II. OBJECTIVE

- a. To lay down the criteria for identifying the persons who are qualified to become directors and such persons who may be appointed as the Senior Managerial Personnel of the Company.
- b. To determine the qualifications, positive attributes and independence of the Board and to ensure Board Diversity.
- c. To recommend the Board for determining the remuneration of the Directors, KMP and other employees.
- d. To set the criteria for evaluation of the performance of Board of Directors and other employees of the Company.

III. DEFINITIONS

“**Board**” or “**Board of Directors**” shall mean Board of Directors of the Company.

“**Company**” shall mean Hero Housing Finance Limited

“**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.

The expression “senior management” means personnel of the company who are members of its core management team other than the Board of Directors. This would include all members of management one level below the executive directors, including all the functional heads. -

“Company” means “Hero Housing Finance Limited”

IV. SCOPE

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.
- d. Other Employees of the Company

V. INTERPRETATION

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013, as amended from time to time.

VI. GUIDING PRINCIPLES

The Policy ensures 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 and
- Aligning key executive and board remuneration with the longer term interests of the company and its shareholders;
- Minimize complexity and ensure transparency;
- Link to long term strategy as well as annual business performance of the company;

- Promotes a culture of meritocracy and is linked to key performance and business drivers; and
- Reflective of line expertise, market competitiveness so as to attract the best talent

VII. ROLE OF THE COMMITTEE

The role of the Committee inter alia will be the following:

- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.
- To carry out evaluation of every director's performance.
- To formulate the criteria for determining qualifications, positive attributes and independence of a director, and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- To formulate the criteria for evaluation of Independent Directors and the Board.
- To recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria.
- 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.

VIII. MEMBERSHIP

- The Committee shall comprise at least three (3) Directors.
- The Board shall reconstitute the Committee as and when required to comply with the provisions of the Companies Act, 2013 and applicable statutory requirement.
- Membership of the Committee shall be disclosed in the Annual Report.
- Term of the Committee shall be continued unless terminated by the Board of Directors.

IX. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

X. APPOINTMENT CRITERIA FOR THE BOARD AND OTHER EMPLOYEES

A. FOR THE BOARD

1.1 APPOINTMENT CRITERIA

1.1.1 Managing Director/Whole-Time Director

- The Managing Director/Whole-Time 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 range of criteria which shall include but shall not be limited to qualifications, skills, industry experience, fit & proper, background and other attributes required for the said position.
- The Managing Director/Whole-Time 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 Managing Director/Whole-Time 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.

1.1.2 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.

1.2 NOMINATION PROCESS

- The Nomination & Remuneration Committee shall be responsible to review the structure, composition and diversity 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, non- executive directors and independent 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 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;
- consider criteria that promotes diversity, including gender, age and relevant background;
 - 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 and 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.

1.3 FIT AND PROPER CRITERIA

At the time of appointment/re-appointment of the Directors , the Company shall be required to follow the due diligence process as stated in the Company's Policy on Fit and Proper criteria for the Directors formulated as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, dated 9th February, 2017.

1.4 TERM AND TENURE

1) 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. No re-appointment shall be made earlier than one year before the expiry of term.

B. For The Employees

1.5 Key Managerial Personnel (KMP) and Senior Management Personnel

- Section 203 of the Act provides for appointment of whole-time Key Managerial Personnel (“KMP”) 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.

1.6 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.

XI. REMUNERATION CRITERIA FOR THE BOARD AND THE EMPLOYEES

A) Remuneration paid to Executive Directors

- The remuneration paid to Executive Directors is recommended by the Nomination and Remuneration Committee and approved by the Board in the Board meeting, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.
- At the Board meeting, only the Non-Executive and Independent Directors participate in approving the remuneration paid to the Executive Directors. The remuneration is arrived by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the company. The elements of the remuneration and limits are pursuant to the clause 178, 197 and Section V of the Companies Act 2013.

Remuneration Policy Structure The remuneration structure for the Executive Directors would include the following components:

- i) **Basic Salary** - Provides for a fixed, per month, base level remuneration to reflect the scale and dynamics of business to be competitive in the external market.
 - Are normally set in the home currency of the Executive Director and reviewed annually.
 - Will be subject to an annual increase as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors.
- ii) **Commission** - Executive Directors will be allowed remuneration, by way of commission which is in addition to the Basic Salary, Perquisites and any other Allowances, benefits and amenities.
 - Subject to the condition that the amount of commission shall not exceed 1% of net profit of the company in a particular financial year in the manner referred in Section 197 & 198 of Companies Act 2013.
 - The amount of commission shall be paid subject to recommendation of the Nomination and Remuneration committee and approval of the Board of Directors.
- iii) **Perquisites and Allowances** - A basket of Perquisites and Allowances would also form a part of the remuneration structure.
- iv) **Contribution to Provident and Other funds** In addition to the above, the remuneration would also include:
 - Contribution to Provident and Superannuation Funds
 - Gratuity
- v) **Minimum Remuneration** - If in any financial year during the tenure of the Executive Directors, the company has no profits or its profits are inadequate, they shall be entitled to, by way of Basic Salary, Perquisites, allowances, not exceeding the ceiling limit of

2,00,000 per month, and in addition hereto, they shall also be eligible for perquisites not exceeding the limits specified under Part IV of Schedule V of the Companies Act, 2013 Remuneration payable to Non-Executive & Independent Directors or other such limits as prescribes by the Government from time to time as Minimum Remuneration, whichever is higher.

B) Remuneration payable to Non-Executive Directors

- The Remuneration to the Non Executive Directors would be as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors. It would be pursuant to the provisions of sections 197,198 of the Companies Act 2013. Remuneration payable to Non-Executive & Independent Directors

C) Remuneration Philosophy for Key managerial personnel, senior management & staff

The compensation for the Key managerial personnel, senior management and staff at Hero Housing Finance Limited would be guided by the external competitiveness and internal parity through annual benchmarking surveys. Internally, performance ratings of all Hero Housing Finance Employees would be spread across a normal distribution curve. The rating obtained by an employee will be used as an input to determine Variable and Merit Pay increases. Variable and Merit pay increases will be calculated using a combination of individual performance and organizational performance. Grade wise differentiation in the ratio of variable and fixed pay as well as in increment percentage must be made. Compensation can also be determined based on identified skill sets critical to success of Hero Hero Housing Finance Limited. It is determined as per management's review of market demand and supply.