

RELIGARE HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

KMP & SMP APPOINTMENT & REMUNERATION POLICY

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1. Preamble

The Board of Directors (the “Board”) of Religare Housing Development Finance Corporation Limited (the “Company”) has adopted the following policy and procedures with regard to appointment and remuneration of Key Managerial Personnel (“KMP”) and Senior Management Personnel (“SMP”) as defined below. The Nomination and Remuneration Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company to regulate the appointment and remuneration of KMP and SMP based on the laws and regulations applicable on the Company.

2. Purpose

This policy is framed as per requirement of Sections 178 and 203 of the Companies Act, 2013 (“Act”) read with applicable Rules & Regulations under the Act and Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in Non-Banking Financial Companies (NBFCs) by Reserve Bank of India as provided under Scale Based Regulatory Framework and intended to ensure the fairness in the appointment and remuneration process of the KMP and SMP of the Company and at the same time to attract and retain the best suitable talent for the Company.

To achieve the said purpose, the Nomination and Remuneration Committee (NRC), inter alia, shall have the mandate to oversee the framing, review and implementation of this compensation policy of the company with the approval of the Board. It may work in close coordination with Risk Management Committee (RMC) of the Company to achieve effective alignment between compensation and risks. Further, the NRC may 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 (ICAAP). NRC shall also ensure that there is no conflict of interest in appointment of directors on Board of the Company, KMP and SMP.

3. Definitions

“Company” means Religare Housing Development Finance Corporation Limited.

“Nomination and Remuneration Committee” means Committee of Board of Directors of the Company constituted under provisions of Companies Act, 2013 and the Regulations.

“Board” means the Board of Directors of the Company.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole- Time Director;
- (ii) Company Secretary; (iii) Chief Financial Officer

“Senior Management Personnel” shall mean personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

“Policy” means KMP and SMP Appointment and Remuneration Policy.

“MD” means the Managing Director of the Company. “ED” means the Executive Director of the Company.

“WTD” means the Whole Time Director of the Company. “CEO” means the Chief Executive Officer of the Company.

“HR Head” means person heading the Human Resource Department of the Company. “Total compensation” means fixed and variable pay.

“Malus” 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.

“Clawback” 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.

“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.

4. Policy

- 4.1** The authority to identify right candidates for appointment of KMP and SMP is vested with MD/ ED/ WTD/ CEO, severally. The MD/ ED/ WTD/ CEO along with HR Head will identify the candidates internally or externally and propose the identified candidates for the position of KMP and SMP to NRC for its approval/ recommendation to the Board for appointment along with proposed remuneration. The proposed remuneration shall be consistent with the strategy of the Company and in line with the comparable market and internal remuneration benchmarks.
- 4.2** In case of CEO/MD/ED/WTD appointment and remuneration, NRC and HR Head will initiate the process of identifying the new CEO/ MD/ ED/ WTD. After identification of the candidate, NRC will propose the candidature to the Board for its approval of appointment. NRC should ensure that the candidate is meeting the “fit and proper criteria” at the time, as is applicable, before appointment or at any renewal of appointment. NRC should also ascertain the integrity, qualification, expertise, experience, skill set and potential of the candidate.
- 4.3** NRC will scrutinize the applicants, may take independent/ discreet references, whenever necessary, well in time and then approve the appointment of KMP & SMP.
- 4.4** NRC while considering the KMP appointment will also ensure that KMP shall not hold simultaneously another position as KMP in the Company. However, KMP may hold the positions of KMP in any subsidiary in accordance with compliance of applicable laws.
- 4.5** NRC needs to ensure that the position of any KMP should not be vacant for more than 180 days.
- 4.6** NRC shall approve all remuneration, in whatever form, payable to KMP and SMP and recommend the same to the Board for approval.
- 4.7** NRC will also recommend the termination of KMP to the Board for further action.

5. Principles of compensation

5.1 Compensation and Risk alignment: KMPs and SMPs remuneration needs to be reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices. The compensation packages 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 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.

Broadly the components of Fixed and variable pay may be as follows: -

5.2 Components of Fixed Pay:

All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay.

- a) Salary
- b) Allowances: like House Rent Allowance, Education Allowance, Additional allowance, leave travel allowance, food vouchers etc.
- c) Perquisites: All perquisites that are reimbursable shall also be included in the fixed pay so long as there are applicable monetary ceilings on these reimbursements.
- d) Monetary equivalent of benefits of non-monetary nature (such as furnished house, use of company car, etc.) may also shall be part of fixed pay.
- e) Retirement benefits (gratuity, provident fund, employee pension scheme of EPFO, NPS, etc.).

5.3 Components of Variable Pay:

- a) Share-linked instruments like ESOP etc.,
- b) Performance Bonus
- c) Or a mix of cash (Performance bonus) and share-linked instruments like ESOPS in conformity with relevant statutory provisions.

5.3.1 Proportion of Variable Pay:

The proportion of variable pay in total compensation shall be commensurate with the role and prudent risk taking profile of KMP/ SMP. At higher levels of responsibility, the proportion of variable pay shall be higher and there shall be proper balance between the cash (Performance Bonus) and share-linked instruments in the variable pay 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, key performance indicators and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the KMP/ SMP perceive the incentive mechanism.

5.3.2 Deferral of variable pay

Not all the variable pay awarded after performance assessment shall be paid immediately. Certain portion of variable pay, as decided by the Board (on the recommendation of NRC) of the Company, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement may be decided by the Board of the Company who can change the deferral threshold quantum & schedule and period basis the industry and regulatory context, company's risk and emerging best practices from time to time.

5.3.2.1 Deferral of Non Cash Component of Variable Pay:

ESOP, the non-cash component of the variable, is a deferred payout, as the vesting of the granted ESOP is done as per the time schedule described in the RHDFCL ESOP Scheme 2019. As per scheme the minimum Vesting Period of the Options granted pursuant to the Scheme shall be one year from the date of Grant and the maximum period within which the Options shall be vested under the Scheme shall be six years from the date of the Grant or such other period as may be decided by the Committee from time to time.

5.3.2.2 Deferral of Cash Component (Performance Bonus) of Variable Pay:

Deferral of variable pay on Cash Component (Performance Bonus) was implemented by the company starting with the appraisal cycle for FY 2023-2024. The payout of annual bonus to be deferred over 3 Years post the year of performance is as per the following schedule:-

Year 1 (year of performance)	Year 2	Year 3	Year 4
85%	5%	5%	5%

- The vesting of such deferred cash component (Performance Bonus) of variable pay would continue as per the schedule even after the separation of the employee from the services of the company except in the event wherein this separation also leads to invocation of the Malus or Clawback conditions as defined in the clause ‘Malus and Clawback’.
- In the event of death or permanent disability of the individual, unvested portion of cash component (Performance Bonus) will vest immediately except in situations where provisions of Malus/Clawback as defined in clause “Malus and Clawback” may apply.
- The deferral threshold of the cash component (Performance Bonus) would be defined by the NRC and the Board every year basis company’s performance and bonus quantum. The approved deferral amount of the previous years would be paid in Year 2, 3 and 4 in the month of April of that year respectively.

“Cash Component” here refers to:

- Performance bonus which is payable on the basis of the annual performance appraisal of the employee.
- All TDS and any other taxes as applicable are incidental on it.
- It is processed through payroll in a similar way as salary is paid.

5.4 Control and assurance function personnel

KMP and SMP 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. Accordingly, such personnel shall have higher proportion of fixed compensation. However, a reasonable proportion of compensation shall be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

6. Guaranteed bonus

Guaranteed bonus may not be paid to KMP and SMP. However, in the context of new hiring joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

7. Malus and Clawback

In keeping with the emerging best practices in the corporate governance, the Board may take actions on recommendation of the NRC to malus or clawback the variable pay where there is reasonable evidence that KMP/ SMP has materially contributed to, or been materially responsible for the following :-

Invocation of Malus:

- a) In the event of subdued or negative financial performance of the Company and/or the relevant line of business which is directly attributable to the role of the KMP/ SMP
- b) Key performance indicators as set by the Company for individual KMP and SMP are not achieved for the respective financial year

Invocation of Malus and Clawback:

- a) Personally acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation or which is characterized as gross misconduct
- b) Directing an employee, contractor or advisor to act fraudulently, dishonestly or to undertake other misconduct
- c) Breaching their material obligations towards the Company through error, omission or negligence

The Board, on recommendation of the NRC, may on occurrence of any of the aforesaid event(s) decide to malus or clawback of the variable pay for a specified period during which malus and/or clawback can be applied, covering at least the deferral and retention periods.

While taking the decision related to malus and/or clawback as mentioned above, the Board will consider whether the application of the provisions may result in unintended consequences, prejudice the interests of the Company in any related proceeding or investigation, or any pending legal proceedings related to fraud or intentional illegal conduct etc.

In case of revision in remuneration of KMP and SMP post their appointment, the proposed revision is to be placed before the NRC for its ratification/approval, as the case may be. The remuneration proposed will be consistent with the guidelines as stated above.

This Policy may be reviewed on regular basis to ensure its relevance to the prevailing business/regulatory requirements or as may be necessary.
