

I. Introduction

Swagat Housing Finance Company Limited (SHFC) has been incorporated with an intent to be an enabler in providing credit access to first time home buyers in EWS/LIG/MIG segment and aims to contribute meaningfully towards Government of India's mission "Housing for All". With an underlying philosophy of changing the status quo in the society, the Company intends to work on a philosophy of giving back to the society in a way and fashion that cause a sustainable change for the larger good of Indian populace without any discrimination based on religion, creed, caste, color or gender. The Company aims to undertake those initiatives which would bring about positive irreversible change for the betterment of the society and would help the beneficiaries quantitatively and qualitatively in their lives.

The Board of Directors of the Company has constituted/reconstituted the Committee pursuant to the provisions of The Companies Act, 2013 and Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by National Housing Bank vide Notification No. NHB.HFC.CGDIR.1/MD&CEO/2016 dated 9 February 2017.

II. Definitions

- A. **Independent Directors** means Directors who has been appointed by Company in terms of Section 149 of Companies Act, 2013 and Regulation 16 of Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.
- B. **Key Managerial Personnel (KMP)** in relation to Company means as defined under section 2(51) of Companies Act, 2013, as amended from time to time.
- C. **"Other Employees"** means employees of the Company as may be identified by the Nomination and Remuneration Committee for purpose of this policy.
- D. **"Senior Management"** means Officers /personnel of the Company who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the

chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

III. **Applicability**

In view of the definitions given above, the policy is applicable on all Directors, Key managerial Personnel, Senior Management and other employees of the Company.

IV. **Key Areas of The Policy**

- A. Laying 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 cadres and to determine their remuneration.
- B. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies & industry.
- C. To ascertain the fit and proper criteria in respect of the Directors at the time of appointment and on a continuing basis as per the policy of the company in the same regard.
- D. To carry out evaluation of the 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.
- E. To grant reward linked directly to their effort, performance, dedication and achievement relating to Company's operations and the results expected therefrom.
- F. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

V. **Constitution of The Nominations and Remuneration Committee**

The Nomination and Remuneration committee of the Company shall be comprised of at least three non-executive directors out of which at least fifty percent of the directors shall be independent directors, as may be re-constituted by the Board from time to time.

VI. **Matters to be dealt with and recommended by the Nomination and Remuneration Committee to the Board**

- A. Formulate the criteria for determining qualifications, positive attributes and independence of a director;
- B. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy;
- C. Formulate the criteria for evaluation for performance of Independent directors and the board of directors, inter-alia;
- D. Ensure 'fit and proper' status of proposed or existing directors as per the NHB Guidelines vide notification no NHB.HFC.CG-DIR.1/MD&CEO/2016 ("NHB Directions");
- E. Recommend to the Board, appointment, reappointment and removal of Director and KMP and Senior Management Personnel.
- F. Recommend to the board, all remuneration, in whatever form, payable to senior management.

VII. **Appointment and Nomination of Director, Key Managerial and Senior Management**

A. **Criteria for determining qualifications, positive attributes and independence of a director for appointment / reappointment**

a. **DIRECTORS**

As per the NHB **Directions**, the Nomination Policy of the Company to ensure 'fit and proper' status of the proposed/ existing Directors. The

policy on the fit and proper criteria shall be on the lines of the guidelines contained in Annex-1 of the NHB Directions. In order to streamline and bring in uniformity in the process of due diligence, while appointing Directors, the Company shall ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

The Company should undertake a process of due diligence to determine the suitability of the person for appointment/ continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. The Company shall obtain necessary information and declaration from the proposed/ existing Directors for the purpose in the format given at Annex-2 of the NHB Directions.

The process of due diligence should be undertaken by the company at the same time of appointment/ renewal of appointment.

The Board of the Company should constitute Nomination Committee to scrutinize the declarations.

Based on the information provided in the signed declaration, Nomination Committee should decide on the acceptance or otherwise of the Directors, where considered necessary

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.

The Board must ensure in public interest that the nominated/ elected Directors execute the deeds of covenants in the format given in Annex-3 of the NHB Directions.

The Company shall not appoint or continue the employment of any person as Managing Director / 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.

b. INDEPENDENCE OF DIRECTOR

The candidate shall be evaluated based on the criteria provided under the applicable laws including Companies Act, 2013 read with Rules thereon and the SEBI Listing Regulations, 2015 with the Stock Exchanges. Each director has an affirmative obligation to inform the Board of any change in circumstances that may put his/her independence at issue.

The director's independence for the independent director will be determined by the Board on an annual basis upon the declarations made by such director as per the provisions of the Companies Act, 2013 read with Rules thereon and the SEBI Listing Regulations, 2015.

c. KEY MANAGERIAL PERSONNEL ('KMP') AND SENIOR MANAGEMENT

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as KMP recommend to the Board his / her appointment and the Committee shall lay down the manner of appointment of senior management and recommend the same to the board for its approval on the basis of which the appointment of senior management shall be done.

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

B. Term / Tenure

Managing Director/Whole-time Director

The Company shall appoint or re-appoint any person as Managing Director or Whole time Director for a term not exceeding five years at a time in terms of applicable provisions of Companies Act, 2013. Further, 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 shall be eligible for re-appointment on passing of a special resolution by the Company, recommendation of committee based on the report of performance evaluation of Independent director and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. 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 Boards on 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 Director of a listed Company.

Key Managerial Personnel / Senior Management

Upon recommendation of Nomination and Remuneration Committee and based on the criteria laid down by said committee for appointment of senior management, the KMPs or senior management may be appointed for such period and on such term as may be approved by the Board or as per criteria approved by the board, respectively.

C. Evaluation

D.

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.

The Evaluation process may be carried out as per the SEBI guidelines vide SEBI CIRCULAR NO. SEBI/HO/CFD/CMD/CIR/P/2017/004, Dated 5th January 2017 on Guidance Note on Board Evaluation or by such other procedure as the Committee may deem fit for evaluation process.

Below Matrix to be follow while performance evaluation of the Directors and the Board as a whole:

MATRIX FOR THE EVALUATION OF BOARD AND THE DIRECTORS	
	<u>Criteria for the Evaluation of a Board as a whole</u>
1.	1. Board Composition & Quality; 2. Board and Management Relations; 3. Board Meeting & Procedures; 4. Board Strategy and Risk Management; 5. Grievance Redressal for Investors; 6. Conflict of Interest;

	<p>7. Stakeholder Value and responsibility;</p> <p>8. Corporate Cultures & Values;</p> <p>9. Review of Board Evaluation;</p> <p>10. Facilitation of Independent Directors;</p>
2.	<p><u>Criteria for the Evaluation of Board Committee</u></p> <p>1. Structure of the Committee and meetings;</p> <p>2. Mandate & Composition;</p> <p>3. Effectiveness of the Committee;</p> <p>4. Independence of the Committee from the Board;</p> <p>5. Contribution to Decisions of the Board;</p>
3.	<p><u>Criteria for Non- Executive Directors</u></p> <p>1. Knowledge & Skill</p> <p>2. Diligence & Participation</p> <p>3. Leadership</p> <p>4. Managing Relationship</p>
4.	<p><u>Criteria for Independent Directors</u></p> <p>1. Independence</p> <p>2. Knowledge & Participation</p>
5.	<p><u>Criteria MD & WTD</u></p> <p>1. Leadership</p> <p>2. Performance</p> <p>3. Value Creation</p> <p>4. Governance & Compliance</p>
	<p><u>Rankings</u></p> <p>Rankings stands as under:-</p> <p>1= Poor</p> <p>2= Average</p> <p>3= Good</p>

	4= Very Good
	5= Excellent

E. 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 or as per the employment agreement (if any) 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.

F. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing HR 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, subject to necessary compliances.

VIII. Relating to The Remuneration

A. Remuneration of Managing Director / Whole Time Director / Non-Executive Director /

Independent Director (“Collectively referred as ,Directors”)

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 and further recommendation to the Shareholder’s for their approval. The remuneration /

compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

The remuneration and commission to be paid to the Managing Directors /Whole-time Director shall be as per approval of shareholders of Company or Central Government in terms of the provisions of the Companies Act, 2013, and the rules and Schedule made thereunder, as applicable from time to time

Where any insurance is taken by the Company on behalf of its Directors, KMP and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

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 P.F, 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.

Performance Bonus:

The performance bonus for 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 and innovations. The performance shall be reviewed annually on 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 approval of the Central Government.

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 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 party of their remuneration. An Independent Director shall not be entitled to any stock option of the Company.

B. Remuneration Of Key Managerial Personnel / Senior Management

Remuneration Of KMPs (Other Than Managing Director / Whole Time Directors) I.E. Chief Financial Officer/ Chief Executive Officer / Company Secretary And Other Senior Management Personnel Shall Be Decided By The Chairperson In Consultation With Managing Director/Whole Time Director.