



NRC POLICY

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Approved by NRC: 19.02.2016

Approved by Board: 07.03.2016

First Amendment by Board: 23.06.2022

Second Amendment by Board: 30.09.2022

Nivara Home Finance Limited
CIN: U65922KA2014PLC077547
No. 22, 23, 24, 25/101/3,
3rd Floor, BNR Complex,
Sri Rama Layout, Opp. to RBI Layout,
7th Phase, J P Nagar,
Bengaluru – 56007

Nomination and Remuneration Policy

1.Title

This Policy will be called “Nomination and Remuneration Policy”

2.Introduction

Pursuant to Section 178 of the Companies Act, 2013 the Board of Directors shall constitute the “Nomination and Remuneration Committee”. Further, In line with provisions of Companies Act 2013 and RBI Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated July 29, 2021 read with Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs dated October 22, 2021 and pursuant to further amendments from time to time, the “Nomination and Remuneration Committee” has formulated the “Nomination and Remuneration policy” which has also been approved by the Board of Directors of the Company.

3.Objective

The objective of this policy is to lay down a framework for nomination and remuneration of Directors, Key Managerial Personnel and Senior Management personnel. The Key objective of the committee would be:

- To formulate criteria and advise the Board in determining qualifications, competencies, positive attributes and independence of Directors.
- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- To set norms of performance evaluation and to lay out remuneration principles for Directors, KMP and senior management linked to their effort, performance and contribution for achieving the organizational goals.
- To recommend to the Board, measures to retain, motivate and promote talent including KMP and senior management personnel with a view to ensuring long term sustainability and create competitive advantage.

4.Applicability and Commencement

This policy is applicable to Directors, Key Managerial Personnel and Senior Management. This policy became effective from January 1,2016 and here onwards amended v.03 in board meeting held on 30.09.2022.

5. Definitions

- Act means Companies Act 2013
- Board means the Board of Directors of the Company.
- Company means NIVARA HOME FINANCE LTD.
- Director means Directors of the Company.
- Policy means “Nomination and Remuneration policy” as amended from time to time.
- Committee means “Nomination and Remuneration Committee”.
- **Key Managerial Personnel means**
 - a. Managing Director
 - b. Chief Financial Officer
 - c. Company Secretary
 - d. such other officer as may be prescribed by the Act

- **Senior Management means personnel** of the company who are members of its core management team excluding the Board of Directors, comprising all members of the management one level below the Executive Directors including Functional Heads.
- **Managing Director** means a Director who is in the whole time employment of the Company and includes a Whole time Director.
- **Nomination & Remuneration Committee** means the Committee of the Board constituted as such under the provisions of section 178 of the Companies Act, 2013.
- **Non-Executive Director** means a Director who is not in the whole time employment of the Company and includes an Independent Director.
- **Independent Director** means a Director referred to in section 149 of the Companies Act, 2013.
- **Malus** means an arrangement permitting 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** means a 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.

6. Membership/Constitution of the Committee

- The Committee shall comprise of at least three (3) Directors, all of whom shall be Non-Executive Directors and at least half shall be Independent.
- The Chairman of the Committee shall be an Independent Director.
- In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as the Chairman.
- The Board shall reconstitute the Committee as and when required to comply with the provisions of the Companies Act, 2013 and any other applicable statutory requirement.

7. Quorum

Quorum for the meeting shall be presence of 2 directors out of which 1 should be ID.

8. Frequency of Meetings

The meeting of the Committee shall be held at least once in a year.

9. Role and Duties of the Committee

The Role and Duties of the committee inter alia will be as follows:

- To recommend to the Board the appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- To formulate a criteria for determining qualifications, positive attributes and independence of a Director and to recommend to the Board the Policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
- Formulate criteria for evaluation of the Independent Directors and the Board annually.
- To carry out evaluation of every Director's performance annually.
- Ensure that level and composition of remuneration is reasonable and sufficient, the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

- Identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this policy.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.
- To ensure 'fit and proper' status of proposed/ existing directors

10. Appointment and Removal of Directors, Key Managerial Personnel and Senior Management

10.1 Appointment Criteria and Qualifications:

Director:

- The person should possess adequate qualification, expertise, skills and experience for the position he/ she is considered for appointment. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- Before appointment, the Company shall identify and ascertain fit and proper criteria of the person for appointment as Director
- The Company shall obtain necessary information and declaration from the proposed/ existing Directors for the purpose in the format given in the RBI Master Directions and in line with Fit and Proper Criteria policy of the company.
- The process of due diligence along with scrutiny of the declarations shall be undertaken by the Committee at the time of appointment / renewal of appointment. Accordingly, the Committee shall decide on the acceptance or otherwise of the Directors.
- Every year as on 31st March, a simple declaration from the directors shall be obtained that the information already provided has not undergone change and wherever there is any change, requisite details are furnished by them forthwith.
- The Board must ensure in public interest that the nominated/ elected Directors execute the deeds of covenants in the format given in RBI Master Directions.
- The Committee may call and seek the help of the head of HR Department or any other Company Official including the recommender or a Key Managerial Personnel while approving the appointment.

Independent Director:

- The candidate shall be evaluated and recommended appointment to the Board based on the criteria provided under the applicable laws including Companies Act, 2013 read with Rules thereon and RBI Master Directions. Each director has an affirmative obligation to inform the Board of any change in circumstances that may put his/her independence at issue.
- Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence

Key Managerial Personnel and Senior Management:

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as KMP and senior management. Accordingly, recommend to the Board his / her appointment in the manner laid down in the Committee.
- The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.

10.2 Term / Tenure

a) Managing Director/Whole-time Director/Executive Director/Manager:

- The Company shall appoint or re-appoint any person as its Managing Director, Executive Chairman or Executive Director or Whole Time Director for a term not exceeding three years at a time or as applicable by the respective provisions of the Companies Act 2013. No re-appointment shall be made earlier than one year before the expiry of term.
- The Company shall not appoint or continue the employment of any person as Managing Director/ Executive Chairman/ Whole-time Director/Manager 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 the 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) 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, 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.
- An independent director, within the permissible limits in terms of Companies Act, 2013, shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time.

c) Key Managerial Personnel and Senior Management:

- Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL.
- The tenure and terms of appointment of Key Managerial Personnel and Senior Management will be as per the prevailing HR policy of the Company or as per the applicable provisions of the Companies Act 2013.

10.3 Evaluation

The Criteria for evaluation of directors shall be spelled out by the Committee and accordingly annual evaluation of performance of every Director to be conducted.

10.4 Removal

Due to reasons for any disqualification/misconduct/fraud mentioned in the Act or under any other applicable Act, rules and regulations there under, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, Key Managerial Personnel or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

10.5 Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act 2013 and in accordance with the applicable policy of the Company .

11. Remuneration of Directors, key Managerial Personnel and Senior Management

a) Remuneration to Managing Director/Whole-time Director/Executive Director/Manager:

The Remuneration/ Compensation/ Commission etc. to be paid to Managing Director shall be recommended by Nomination and Remuneration Committee to the Board for approval and further recommendation of Shareholder's for their approval. The remuneration/compensation/commission 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.

b) Remuneration to Non- Executive / Independent Director:

The Non-Executive Independent Director may receive remuneration / compensation /commission as per the provisions of Companies Act, 2013. The amount of sitting fees 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.

c) Remuneration to Key Managerial Personnel and Senior Management:

The Remuneration/Compensation /Commission payable to the Key Managerial Personnel and Senior Management shall be decided by Managing Director.

12. Components of Remuneration:

a. The Managing Director / Whole-time Director/KMP/Senior Management shall be eligible for a monthly remuneration. The proportion of composition of fixed and variable pay of Managing Director/ Whole-time Director shall be decided and approved by the Board and for KMP/Senior Management to be decided and approved by Managing Director.

b. The Compensation 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 ability and exposures.

c. The variable pay may be in the form of share-linked instruments, or a mix of cash and share-linked instruments. The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of KMPs/ senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and company-wide level.

d. KMPs and senior management 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 may have higher proportion of fixed compensation.

e. A minimum of annual performance assessment of KMP and Senior Management to be undertaken by Managing Director.

f. Deferral of variable pay:

Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the Board 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.

g. 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.

Performance Bonus to KMP/Senior Management to be determined and approved by Managing Director.

h. Guaranteed bonus

Guaranteed bonus may not be paid to KMPs and senior management. 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.

i. 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.

j. 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.

k. 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.

l. 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, subject to the provisions of Companies Act, 2013. An Independent Director shall not be entitled to any stock option of the Company.

m. 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.

n. Malus / Clawback

The deferred compensation may be subject to malus/clawback arrangements in the event of subdued or negative financial performance of the company and/or the relevant line of business or employee misconduct in any year. A representative set of situations may be identified by the Board, which require them to invoke the malus and clawback clauses that may be applicable on entire variable pay.

13. Review and Amendments

- The Committee or the Board may review the policy as and when it deems necessary.
- The Board of Directors or the Committee shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with new provisions or replace this Policy entirely with a new Policy.