



NOMINATION REMUNERATION AND HR POLICY

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NOMINATION REMUNERATION & HR COMMITTEE

Preamble

As per the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the Board of Directors ("**Board**") every Listed Company is required to constitute a Nomination and Remuneration Committee. Further, such a Company is required to have a Nomination and Remuneration Policy duly approved by its Board and get the same displayed on the Company's website.

The Nomination, Remuneration & HR Committee ("**NRC**") of **Can Fin Homes Limited** ("**the Company**" or "**our Company**" or "**CFHL**") has been duly constituted by the Company's Board in their meeting held on June 04, 2014 in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto (hereinafter referred to as "**the Act**") and SEBI Listing Regulations.

Further, being a Housing Finance Company ("**HFC**"), the Company is also required to comply with various directions/ circulars prescribed by the Reserve Bank of India ("**RBI**") including applicable provisions of the Non-Banking Financial Company- Housing Finance Company (Reserve Bank) Directions, 2021 ("**RBI HFC Directions**"). In accordance with paragraph 50.2 of the RBI HFC Directions, in addition to constitution of the NRC, the Company is required to put in place a policy to ensure 'fit and proper' status of proposed/ existing Directors and proper framework in relation to remuneration of Directors, Key Managerial Personnel and senior management personnel. In this regard, the RBI has also prescribed 'Guidelines on Compensation of Key Managerial Personnel ("**KMP**") and Senior Management in NBFCs' vide its Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, dated October 19, 2023 ("**RBI Guidelines**").

Constituents of the Nomination, Remuneration & HR Policy

The Nomination, Remuneration Policy shall have two components:

A. Nomination Policy- The following aspects shall be covered within the ambit and scope of the Nomination Policy:

- i) The constitution of the Nomination, Remuneration & HR Committee ("**NRC**") shall be as defined in the **Annexure-1**.
- ii) The NRC shall lay down basic criteria for selection and to identify persons who are qualified to become Directors of the Company. Formulation of such criteria shall be aimed at determining qualifications, expertise, track record, integrity, positive attributes, independence of a Director and other 'fit and proper' criteria. The NRC shall ensure 'fit and proper' criteria of the directors, as detailed in the **Annexure-2** in terms with Chapter IX on Corporate Governance under the RBI HFC Directions, at the time of appointment and on a continuing basis.
- iii) The NRC shall review the information, declarations and undertakings given by the existing and proposed Director(s) giving additional information in the format as prescribed in the **Annexure-3** in terms with Chapter IX on Corporate Governance under the RBI HFC Directions and the Chairman/ Chairperson of NRC shall authenticate the same.
- iv) The NRC shall ensure that the deed of covenants is signed by each of the Directors in the format as prescribed in the **Annexure-4**.
- v) Whenever a new Director is to be inducted, then NRC shall review the profile of such candidate and evaluate his/ her credentials against the laid down criteria to establish that the candidate is 'fit and proper' for the position for which he/ she is being considered.

- vi) The appointment, renewal, re-appointment including extension or continuation of the term of appointment, re-categorisation and/or removal of the Directors shall be recommended by NRC to the Board in accordance with laid down criteria as detailed in the **Annexure-5**. The term 'Director' used in this policy shall carry the same meaning as defined under Companies Act, 2013 and include Independent Director.
- vii) The NRC shall review the criteria laid down under the CFHL service regulations/ HRM Policy/ Promotion Policy for selection of employees for Senior Management of the Company. Further, it shall also lay down criteria for direct selection of candidates for Senior Management positions wherever required. Further, wherever required, the NRC shall review a proposal for removal of such Senior Management Personnel and ensure that the same is noted by the Board. The NRC shall also review the proposal for appointment or removal of any KMP and recommend to the Board for their consideration in accordance with Rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014.
- viii) Determination of broad guidelines for appointment and/ or removal/ retirement of Senior Managerial Personnel and Key Managerial Personnel as detailed in the **Annexure-6**.
- ix) The NRC shall also review the information in terms of the RBI Guidelines.

B. Remuneration/ Compensation Policy

- i) The Remuneration/ Compensation Policy shall among other things cover remuneration for the Directors at periodical intervals. Further, it shall review the remuneration/ salary/ perquisites for directly recruited Senior Management Personnel, Key Management Personnel and all other regular employees governed by CFHL service regulations at the intervals as per guidelines laid down in the HRM policy and recommend to the Board.
- ii) However, in the case of the Managing Director, deputed from the Sponsor Bank, the Remuneration, perquisites and other entitlements shall be applicable as per norms laid down by the Sponsor Bank. In respect of appointment of the Managing Director from the market, the NRC shall recommend salary/ remuneration/ compensation/perquisites etc. to the Board.
- iii) Incentive programmes/ schemes/ performance based benefits/employee stock option scheme (ESOP) etc. shall be framed and recommended to the Board by the NRC.
- iv) The broad guidelines of the Remuneration Policy have been provided in **Annexure-7**.

C. Definitions-

In this policy, unless stated otherwise or unless repugnant to the context, the following terms shall have the meanings as ascribed hereunder:

(a) Key Managerial Personnel: Key Managerial Personnel means and includes:

- (i) Chief Executive Officer or the Managing Director or the Manager;
- (ii) Whole-time director duly appointed by the Board;
- (iii) Chief Financial Officer;
- (iv) Company Secretary; and
- (v) Such other officer, not more than one level below the Directors who is in whole time employment, designated as Key Managerial Personnel by the Board

(b) 'Senior Management' or 'Senior Management Personnel': It means personnel of the Company who are members of its core management team excluding the Board of Directors. This would include all members of management one level below the Managing Director/ Whole-Time Director/ General Manager including all functional heads and persons identified

and designated as key managerial personnel, other than the board of directors, by the Company. The General Manager, Deputy General Manager(s), Assistant General Manager(s), and Chief Manager(s) of the Company shall be considered to be functional heads for the purpose of this policy.

D. Succession Planning :

Regulation 17(4) of SEBI Listing Regulations, has mandated the Listed Companies to put in place for orderly succession for appointment to the board of directors and senior management, in order to ensure that interests of investors of a listed company does not suffer on account of sudden or unplanned gaps in management of the company. The broad guidelines of Succession Planning are placed at **Annexure 8**.

E. Review of the Policy- The Nomination, Remuneration Policy shall be reviewed on annual basis by the Nomination, Remuneration & HR Committee of the Board and recommend to Board for adoption.

Annexure- 1: Constitution and Charter of Nomination, Remuneration & HR Committee

1. Objective

The Nomination Remuneration & HR Committee ("NRC") is a committee of the Board of Directors of the Company constituted in accordance with the provisions of the Companies Act, 2013, the RBI HFC Directions, SEBI Listing Regulations and other statutory/ requirements. The NRC has been authorised by the Board to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities. It has the authority and power to exercise the role and responsibilities set out in this charter and such other roles and responsibilities. The Committee shall as per this charter and as per the policy approved by the Board have primary objective of identifying persons who are qualified to become Directors, senior management etc. and recommend the same to the Board. The NRC shall formulate the policy for determining qualifications, positive attributes and independence of Director and their remuneration, Key managerial personnel and other employees.

2. Composition of the NRC

- (a) The Committee shall consist of a minimum 3 Directors.
- (b) All Directors of the Committee shall be non-executive directors and at least two thirds of the NRC members shall be Independent Directors.
- (c) The Chairperson of the Committee shall be an Independent Director.
- (d) The Chairperson of the Company, whether executive or non-executive, may be appointed as a member of NRC and shall not chair the Committee.
- (e) The Company Secretary of the Company shall act as Secretary of the Committee.
- (f) The Members of the Committee shall be rotated in every two years.

3. Quorum of the NRC:

- (a) The quorum shall be either two members or one third of the members of the Committee, whichever is greater, including atleast one Independent Director in attendance.
- (b) The Chairperson of the NRC may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.

4. Frequency of Meetings of the NRC:

The meeting of the Committee shall be held as and when required. Minimum one meeting shall be held in a financial year.

5. Roles and Responsibilities of the NRC shall be as under:

- (a) Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to, the remuneration of the Directors, Key Managerial Personnel and other Employees.

For every appointment of an Independent Director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director.

The person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- (i) use the services of an external agencies, if required;
 - (ii) consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - (iii) consider the time commitments of the candidates.
- (b) Formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors.
- (c) Devise a policy on diversity of the Board of Directors.
- (d) 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 of Directors their appointment and removal.
- (e) Consider whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- (f) Carry out evaluation of every Director's performance.
- (g) Recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel, Senior Management Personnel and other employees.
- (h) Carry out additional functions as is contained in the SEBI Listing Regulations or other regulatory requirements applicable to the Company.
- (i) While formulating the policy the NRC shall ensure that:
 - (i) 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;
 - (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (iii) remuneration to Directors, key managerial personnel and senior management personnel 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:
- (j) Such policy shall be placed on the website of the Company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the Policy, if any, shall be disclosed in the Board's report.

Annexure- 2: Fit and Proper Criteria for the Directors as per the RBI HFC DIRECTIONS

The Company, while appointing Directors, shall ensure that below mentioned policy guidelines are adhered by it:

- (a)** The Company shall 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.
- (b)** The Company shall obtain necessary information and declaration from the proposed/ existing Directors for the purpose in the format appended with this **Annexure-2**.
- (c)** The process of due diligence should be undertaken by the Company at the time of appointment / renewal of appointment.
- (d)** The Boards of the Company shall constitute the NRC to scrutinize the declarations.
- (e)** Based on the information provided in the signed declaration, the NRC should decide on the acceptance or otherwise of the Directors, where considered necessary.
- (f)** The Company shall 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 as per the particulars mentioned at **Annexure- 3**.
- (g)** The Company will ensure that a '**Deed of Covenant**' is executed with the nominated/ elected Directors as per the format given in **Annexure-4**.

Annexure-3: Declaration and Undertaking by the Director (With Enclosures)

Name of the Company: Can Fin Homes Limited

DECLARATION AND UNDERTAKING BY THE DIRECTOR (WITH ENCLOSURES)		
I)	Personal Details of the Director	
(a)	Full name	
(b)	Date of Birth	
(c)	Educational Qualifications	
(d)	Relevant Background and Experience	
(e)	Permanent Address	
(f)	Present Address	
(g)	E-mail Address / Telephone Number	
(h)	Director Identification Number	
(i)	Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
(j)	Relevant knowledge and experience	
(k)	Any other information relevant to Directorship of the Company	
II)	Relevant Relationships of director	
(a)	List of Relatives of the director, if any, who are connected with the Company (<i>As per Section 2(77) of the Companies Act, 2013</i>)	
(b)	List of entities if any in which the director is considered as being interested (<i>As per Section 184 of the Companies Act, 2013</i>)	
(c)	List of entities in which the director is considered as holding substantial interest ¹ within the meaning of the RBI HFC Directions	<i>As per Annexure 3(a)</i>
(d)	Name of the HFC(s) in which the director is or has been a member of the board (giving details of period during which such office was held)	<i>As per Annexure 3(b)</i>
(e)	Fund and non-fund facilities, if any, presently availed of by the director and/ or by entities listed in Paras II(b) and II(c) above from the Company	<i>As per Annexure 3(c)</i>
(f)	Cases, if any, where the director or entities listed in Paras II(b) and II(c) above are in default or have been in default in the past in respect of credit facilities obtained from the Company or any other HFC or a bank	<i>As per Annexure 3(d)</i>
III)	Records of professional achievements	
(a)	Relevant professional achievements	
IV)	Proceedings, if any, against the director	

¹ **'Substantial Interest'** means: Holding of beneficial interest by an individual or his/ her spouse or minor child, whether singly or taken together, in shares of Company/ Capital of Firm, the amount paid up on which exceeds 10 percent of paid up capital of the Company or total capital subscribed by all the partners of partnership firm.

(a)	If the director is a member of a professional association/ body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any Time.	
(b)	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in Paras II(b) and II(c) above for violation of economic laws and regulations	
(c)	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	
(d)	Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of the Companies Act, 2013?	
(e)	Has the director or any of the entities at Paras II(b) and II(c) above been subject to any investigation at the instance of Government department or agency?	
(f)	Has the director at any time been found guilty of violation of rules/ regulations/ legislative requirements by customs/ excise /income tax/ foreign exchange /other revenue authorities, if so give particulars	
(g)	Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, and MCA <i>(Though it shall not be necessary for a director to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in toto, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc and not on merit, If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)</i>	
V)	Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper	

Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the Company fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the Company.

Signature:

Place:

Name:

Date:

DIN:

VI) Remarks of Chairman of the Nomination Committee/ Board of Directors of the Company

Signature:

Place:

Name:

Date:

Annexure 3(a)

List of entities in which the director is holding substantial interest (10% individually/jointly) within the meaning of HFC (NHB) Directions, 2010 as on _____

Sl. No.	Name of the Entity	No. of Shares held

Annexure 3(b)

Name of HFC in which the director is or has been a member of the board (giving details of period during which such office was held) as on _____

Sl. No.	Name of Company	P eriod	
		From	To

Annexure 3(c)

Fund and Non-Fund facilities, if any, presently availed of by the director and/or by entities listed at Paras II(b) and II(c) in table under Annexure 3 from the Company as on _____

Sl. No.	Facility	Fund/Non-Fund

Annexure 3(d)

Cases, if any, where the director or entities listed at Paras II(b) and II(c) in table under Annexure 3 above are in default or have been in default in the past in respect of credit facilities obtained from the Company or any other HFC or a Bank as on _____

Sl. No.	Case	Status

Annexure- 4: Form of Deed of Covenants with a Director

(On stamp paper of requisite value)

Form of Deed of Covenants with a Director

THIS DEED OF COVENANTS is made this day of.....Two Thousand.....BETWEEN.....having its registered office at(hereinafter called the "HFC") of the one part and Mr/Ms..... of(hereinafter called the "Director") of the other part.

WHEREAS

- A. The Director has been appointed as a director on the Board of Directors of the HFC (hereinafter called "the Board") and is required as a term of his/her appointment to enter into a Deed of Covenants with the HFC.
- B. The Director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his/her said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

1. The Director acknowledges that his/ her appointment as Director on the Board of the HFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the HFC and the provisions of this Deed of Covenants.
2. The Director covenants with the HFC that:
 - i) The Director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the HFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.
 - ii) The Director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
 - iii) The Director shall provide to the HFC a list of his / her relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies' corporate, firms and other entities.
 - iv) The Director shall in carrying on his / her duties as director of the HFC:
 - (a) use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;

- (b) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the HFC;
- (c) shall keep himself / herself informed about the business, activities and financial status of the HFC to the extent disclosed to him / her;
- (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as director of the HFC;
- (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the HFC;
- (f) shall bring independent judgment to bear on all matters affecting the HFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
- (g) shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
- (h) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement; v) The Director shall have:
 - (a) fiduciary duty to act in good faith and in the interests of the HFC and not for any collateral purpose;
 - (b) duty to act only within the powers as laid down by the HFC's Memorandum and Articles of Association and by applicable laws and regulations; and
 - (c) duty to acquire proper understanding of the business of the HFC.

vi) The Director shall:

- (a) not evade responsibility in regard to matters entrusted to him / her by the Board;
- (b) not interfere in the performance of their duties by the whole-time Directors and other officers of the HFC and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
- (c) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the HFC in his / her capacity as director of the HFC only for the purposes of performance of his / her duties as a director and not for any other purpose.
- (d) make declaration to the effect that:
 - i) he/she has not been associated with any unincorporated body that is accepting deposits;
 - ii) he/she has not been associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the National Housing Bank/ Reserve Bank of India; iii) there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against him/her.

3. The HFC covenants with the Director that:

- i) the HFC shall apprise the Director about:

- (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
 - (b) control systems and procedures;
 - (c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
 - (d) qualification requirements and provide copies of Memorandum and Articles of Association;
 - (e) corporate policies and procedures;
 - (f) insider dealing restrictions;
 - (g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
 - (h) appointments of Senior Executives and their authority;
 - (i) remuneration policy;
 - (j) deliberations of committees of the Board, and
 - (k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the HFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- ii) the HFC shall disclose and provide to the Board including the Director all information which is reasonably required for them to carry out their functions and duties as a director of the HFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;
- iii) the disclosures to be made by the HFC to the Directors shall include but not be limited to the following:
- (a) all relevant information for taking informed decisions in respect of matters brought before the Board;
 - (b) HFC's strategic and business plans and forecasts;
 - (c) organisational structure of the HFC and delegation of authority;
 - (d) corporate and management controls and systems including procedures;
 - (e) economic features and marketing environment;
 - (f) information and updates as appropriate on HFC's products;
 - (g) information and updates on major expenditure;
 - (h) periodic reviews of performance of the HFC; *and*
 - (i) report periodically about implementation of strategic initiatives and plans.
- iv) the HFC shall communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate minutes of the meeting of Board to Directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- v) advise the Director about the levels of authority delegated in matters placed before the Board.
4. The HFC shall provide to the Director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The HFC shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of National Housing Bank and other concerned statutory and governmental authorities.
6. The Director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as director of the HFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the HFC.
7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the Director and the duly authorised representative of the HFC.
9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For the HFC

For the Director

By

Name:

Name:

Title:

In the presence of:

1.....

2.

Annexure- 5: Provisions for Appointment and Removal of Directors

1. Appointment Criteria and Qualifications

- (a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, liable to retire by rotation or an Independent Director and recommend to the Board his /her appointment.
- (b) A person should possess adequate qualification, expertise and experience to be eligible for appointment as director. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/ satisfactory for being appointed as Director, liable to retire by rotation or an Independent Director.

The Committee also has discretion to recommend to the Board, the appointment/ reclassification of 'a director liable to retire by rotation' or 'an independent director in terms of Regulation 16 & 17 of the SEBI (LODR) Regulations, 2015 to an Independent Director under the Act'.

- (c) No person shall be eligible to be appointed as a director of the Company if he suffers from any of the disqualifications contained in Section 164 of the Companies Act, 2013 or if he is disqualified by virtue of any other Section of Companies Act, 2013 or any rules made thereunder or any regulation under the SEBI (LODR) Regulations, 2015.
- (d) An Independent Director shall hold office for a term of three 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.
- (e) No Independent Director shall hold office for more than two consecutive terms of three years each but such Independent Director shall be eligible for appointment after expiry of three years (hereinafter referred to as cooling-off period) of ceasing to become an Independent Director.

Provided that an Independent Director shall not, during the cooling-off period, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

- (f) Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time.

Further, the Board of the NBFC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time.

2. Board Diversity

Company shall aim to enhance the effectiveness of the Board by diversifying its composition and to obtain the benefit out of such diversity in better and improved decision making. In order to ensure that the Company's boardroom has appropriate balance of skills, experience and diversity of perspectives that are imperative for the execution of its business strategy, the Company shall consider a number of factors, including but not limited to skills, educational qualification, industry experience, expertise, background, gender, ethnicity and physical disability. In order to ensure a balanced composition of executive, non-executive and independent directors on the Board, the Company shall consider candidates from a wide variety of backgrounds, without discrimination and based on the above factors.

The NRC of the Company shall review and assess the Board composition in terms of the provisions of the Companies Act, 2013 and related rules and also the provisions of listing agreement and shall recommend to the Board, the appointment of new Directors considering

the benefits of diversity, but not limited to, those described above, in order to ensure effective discharge of its duties and responsibilities.

3. Evaluation

The Committee shall carry out evaluation of performance of every Director. Such an evaluation shall be carried out on yearly basis. The evaluation shall be done on the basis of the following criteria i.e. whether Directors:

- (a) act objectively and constructively while exercising their duties;
- (b) exercise their responsibilities in a bona fide manner in the interest of the company;
- (c) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- (d) do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (e) refrain from any action that would lead to loss of his independence;
- (f) inform the Board immediately when they lose their independence;
- (g) assist the company in implementing the best corporate governance practices;
- (h) strive to attend all meetings of the Board of Directors and the Committees;
- (i) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (j) strive to attend the general meetings of the company;
- (k) keep themselves well informed about the company and the external environment in which it operates;
- (l) do not unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (m) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
- (n) abide by Memorandum and Articles of Association, policies and procedures including code of conduct, insider trading guidelines etc. of the Company.

4. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable statute/Acts, rules and regulations there under, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director subject to the provisions and compliance of the applicable statute/Acts, rules and regulations.

5. Retirement

The Directors shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company unless otherwise provided in the Memorandum of Association and Articles of Association and the Act or rules made thereunder.

Annexure- 6: Provisions for Appointment and Removal of Senior Management Personnel

1. Appointment

The Committee shall lay down criteria for ascertaining integrity, qualification, expertise and experience of the person for appointment as Senior Management Personnel in conjunction with provisions of HRM & promotion policy of the company as amended from time to time and recommend to Board for their due approval. The Committee shall have access to the HRM & promotion policies as well as the general/relevant background information including experience and qualification of the candidates available for selection to position of senior management.

Except for directorship in a subsidiary of the Company, a Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL.

2. Removal

Due to any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable statutes/Acts, CFHL rules and regulations as per HRM policy & CFHL service regulations, the Committee may review the performance/conduct of the senior management personnel and recommend to the Board with reasons recorded in writing for removal of Senior Management Personnel.

3. Retirement

The Senior Management Personnel shall retire as per the CFHL Staff Regulations prevailing from time to time and the provisions of Companies Act.

Annexure- 7: Remuneration/ Compensation Policy

1. Preamble/ Background

The RBI, vide Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023, has prescribed the 'Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs' ("**RBI Guidelines**"). The RBI Guidelines are applicable for formulating the Compensation/ Remuneration Policy of Key Managerial Personnel ("**KMP**") and members of Senior Management of NBFCs in Middle Layer and NBFCs in Upper Layer.

In view of the RBI Guidelines, the existing Remuneration Policy of the Company has been reviewed to include policy guidelines for fixing the compensation/ remuneration of the Key Managerial Personnel and members of the Senior Management Personnel of the Company. In this regard, definitions of the Key Managerial Personnel ("**KMP**") and the Senior Management Personnel ("**SMP**") have been provided under Para on Definitions at Page 2 of this NR Policy.

Further, being a leading organization in the NBFC sector, some parts of the policies are being defined taking a future forward view. In this context, practices of leading banks and the RBI Guidelines for the banking sector have also been evaluated and considered.

2. Role of the Nomination, Remuneration & HR Committee ("**NRC**" or "**Committee**")

2.1 As mentioned at Annexure 1, the role of the NRC shall be to ensure compliance with the relevant provisions of the Companies Act, 2013, the RBI HFC Directions, the RBI Guidelines and various other obligations as mentioned in the Charter of the Committee as approved by the Board of Directors from time to time.

2.2 As per the norms of a listed company, the Board of the company has constituted the NRC. Its role, scope and constitution has been defined and approved by the Board.

2.3 One of the responsibilities of the NRC is to oversee the framing, review, and implementation of the compensation practices of the organization.

2.4 The NRC also ensures 'fit and proper' status of proposed / existing directors and that there is no conflict of interest in appointment of directors on Board of the company , SMPs and KMPs.

2.5 Two members of NRC shall also be members of the Risk Management Committee (RMC) of the Board. This ensures effective alignment between compensation and risks.

2.6 Constitution of the NRC is reviewed periodically by the Board.

2.7 The NRC, while discharging its duties, shall 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 and the capital adequacy requirements, as applicable from time to time.

2.8 The Committee shall also ensure 'fit and proper' status of proposed/ existing directors is maintained as per the statutory/ regulatory requirements and that there shall be no conflict of interest in appointment of directors on the Board of the Company, the KMPs and the SMPs.

3. Policy Guidelines with respect to Remuneration of Directors, KMPs, SMPs and Other Employees:

- 3.1** The remuneration /compensation /commission/perquisites/benefits/facilities etc. to the Whole-time Director /Managing Director recruited from the market shall be determined by the NRC and recommend to the Board.
- 3.2** The remuneration / compensation / commission etc. shall be subject to rules laid down by the Government, wherever the same is required under the Company law or any rules made there under.
- 3.3** The NRC shall, if required, frame and formulate detailed terms and conditions of the Employee Stock Option Schemes in line with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.
- 3.4** Such remuneration/ Compensation/ Commission, etc. or any increments thereof shall be within the statutory limits specified under the Companies Act or any rules or schedule thereto.
- 3.5** However, in the case of Managing Director/General Manager/other employees deputed from the Sponsor Bank, the Remuneration, perquisites, entitlements and other service conditions applicable to such Executives in the Sponsor Bank shall be applicable.
- 3.6** The Whole-time Director /Managing Director/Manager, as defined under the Act, shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.
- 3.7** 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/ Managing Director/Manager 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.
- 3.8** If any Whole-time Director/ Managing Director/Manager draws or receives, by way of remuneration from the Company any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.
- 3.9** The Director, including an Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. The sitting fees for attending the Board meeting shall be Rs.50,000/- and for attending Committee meeting shall be Rs.30,000/- for the present and Rs 10,000 will be paid additional fees to the Chairman of the Board/Committee. Any increase in the sitting fees shall be recommended by the NRC to the Board for approval.
- 3.10** The directors shall be entitled for the expenses on travel, accommodation & local transport for attending the above meetings on terms as applicable to Managing Director.
- 3.11** The remuneration / compensation / commission etc. including its break-up payable will be recommended by the NRC to the Board for approval.
- 3.12** The remuneration / compensation / commission/ incentive etc. including its break-up payable to the senior management personnel, Key Management Personnel and all other regular employees as payable under CFHL service regulations shall be subject to review by the NRC at the intervals as per guidelines laid down in HRM policy. The Board shall be guided by the recommendations and suggestions of the NRC suggested to the Board pursuant to such review.
- 3.13** The remuneration / compensation / commission etc. payable to MD & incentives to

Employees under Employees Stock Option (ESOP) shall be subject to the prior/post approval of the Board and shareholders of the Company and Central Government, wherever required under the Company law or any rules made thereunder.

3.14 The remuneration/ Compensation/ Commission, etc. or any increments thereof shall be within the statutory limits wherever the same is required under the Company law or any rules made thereunder.

3.15 The NRC shall ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

3.16 Where any insurance is taken by the Company on behalf of its Whole-time Director/ Managing Director/ KMPs or 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.

3.17 Remuneration to employees shall be subject to the HRM Policy of the Company.

4. Principles for Compensation

4.1 The Company shall keep the remuneration reasonable and based on the relevant factors such as adherence to statutory requirements, industry practices, key responsibility areas assigned and the achievement thereof. The increments shall usually be linked to their performance as well performance of the Company. The total compensation 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 Company shall ensure that the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of various forms of compensation are consistent with risk alignment.

4.2 The Company follows a well-defined policy for compensation. The Policy clearly links the performance with the total remuneration paid to an individual. This is shared at the start of the year with KMPs and members of Senior Management.

4.3 The annual performance management process of the company gets initiated at the start of the financial year with goal setting. At the end of the year, the individual is evaluated on the performance delivered basis individual, business/ function unit's and company's performance. In addition, the individual is also rated on leadership demonstrated during the year.

4.4 The compensation of KMPs and SMPs is periodically benchmarked with a basket of companies, including leading banks, to ensure it is in line with industry best practices and competitive, and to continue to attract best in class talent to the company.

4.5 Fixed Pay- Fixed pay/ compensation will be determined based on size and scope of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation may include basic salary, HRA, special allowance, contribution to provident fund, gratuity etc. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) may also be part of fixed pay compensation.

4.6 Essential Elements of Variable Pays

4.6.1 Principles of Variable Pay

- (a) The proportion of Variable Pay in total compensation shall be commensurate with the role and prudent risk-taking profile of KMPs and SMPs. At higher levels of responsibility, the proportion of variable pay shall be higher.
- (b) The percentage distribution of total remuneration could vary basis roles and responsibility and performance in a given financial year.
- (c) The variable pay component of remuneration shall be paid to the KMPs and SMPs basis the final performance and leadership rating for the year.
- (d) There shall be proper balance between the cash and share-linked instruments in the variable pay compensation in case the variable pay contains share linked instruments as per the policy approved by the Board/ NRC.
- (e) The variable may be reduced to zero based on performance at an individual, business-unit and company-wide level. In order to do so, performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees properly understand the incentive mechanism.

4.6.2 Deferral of Variable Pay

- (a) The RBI Guidelines has prescribed that a certain portion of variable pay, as decided by the Board of the company, may be deferred and this deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Also, deferral period for such an arrangement may be decided by the Board of the company.
- (b) Thus far, the Company did not have any separate variable pay for KMPs and SMPs.
- (c) Taking the RBI Guidelines into consideration, the Compensation Policy is being revised to introduce an additional component of variable pay with deferral/malus and clawback clauses effective from FY2023-24 onwards.
- (d) The payout of variable pay/ annual bonus is proposed to be deferred over 3 years post the year of performance as per the following schedule:

Grade	Variable Pay % of Annual Fixed Pay	Payout of Variable Pay in Year 1	Payout of Variable Pay in Year 2	Payout of Variable Pay in Year 3
KMP	20%	60%	25%	15%
GM	20%	60%	25%	15%
DGM	18%	60%	25%	15%
AGM	15%	60%	25%	15%
CM	12%	60%	25%	15%

Irrespective of the cadre of KMP, performance pay/variable pay, deferral, Malus & Clawback provisions will be as applicable to KMP. In respect of Senior Management (Chief Manager, Asst. General Manager, Deputy General Manager and General

Manager as defined in Nomination Remuneration & HR policy of the Company) , performance pay/variable pay, deferral, Malus & Clawback provisions shall be as applicable to their respective cadre as per the said policy.

Present incentive, which is part of contract, if any, to be readjusted in line with the above schedule. Further, the vesting of deferred cash component of variable pay would continue as per schedule even after separation of the employee from the services of the company except in the event of such separation triggering Malus or Clawback conditions as defined below.

4.6.3 Compensation for Control and assurance function personnel

- (a) The goal setting and performance appraisal process of the Company as mentioned in Para 4.1 above ensures that KMPs and senior management engaged in financial control, risk management, compliance and internal audit have performance measures that are independent of the business areas they oversee.
- (b) The Risk Management Committee and Audit committee of the Board shall review their performance independently and advises on their performance which in turn may impact variable part of their compensation.

5. Provisions on Malus² and Clawback³ Provisions for KMPs and SMPs

5.1 As a **guiding principle** prior to any action being taken by the NRC under this provision, the NRC and the company will ensure due regard to the Principles of Natural Justice.

5.2 The deferred compensation may be subject to malus or 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.

5.3 Circumstances under which Malus and Clawback may be applied

- 5.3.1** Negative Trend (over a continuous period of atleast 3 years) for determination of variable pay
- 5.3.2.** Material breach of the Company's Code of Conduct, Corporate Governance policy, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations due to gross negligence or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus or/ and Clawback provisions.
- 5.3.3** Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
- 5.3.4** Wilful misinterpretation/ misreporting of financial performance of the Company.
- 5.3.5** Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- 5.3.6** Non-disclosure of material conflict of interest by the employee or any misuse of official powers.

² **A malus arrangement** shall permit the Company to prevent vesting of all or part of the amount of a deferred remuneration. However, a malus arrangement shall not reverse vesting after it has already occurred.

³ **A clawback** is 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.

- 5.3.7** An act of willful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the Company.
- 5.3.8** Malus may also be applied in the situation of significant deterioration of financial or risk performance from one financial year to the next.
- 5.3.9** Any other situation where the NRC deem invoking Malus/Clawback provision is necessary and justified.

Application of Malus/ Clawback provisions

- 5.3.10** The circumstances mentioned at Para 5.3 are to be considered by the NRC for application of Malus and Clawback where such events result in significant loss to the Company or its shareholders.
- 5.3.11** The performance measures defined as part of goal setting process of the Company, business threshold metric and sustainable business strategy framework would form the primary considerations for evaluating the application of Malus.
- 5.3.12** In this process, the NRC may duly take into consideration Negative Trends that were within control of the KMP/SMP, and/ or beyond reasonable control on account of conditions such as macro events, market conditions, industry performance, changes in legal/regulatory requirements, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.
- 5.3.13** The NRC will review the requirement to invoke the Malus or Clawback provisions for any vested shares/stocks paid for the performance year 2024-25 onwards in the event one or more of the circumstances come to light. Such review shall aim to determine the involvement, accountability, severity and wilful nature of the act of the concerned person/s.
- 5.3.14** Bonafide errors of judgment will not be subject to Malus provisions.
- 5.3.15** The provision of a Malus arrangement would entail cancellation of deferred portion of variable pay. The NRC may decide to apply Malus on part, or all of the unpaid cash portion of variable pay basis level of involvement, proportionality and impact.
- 5.3.16** The provision of Clawback arrangement would entail return of already paid variable pay in cash attributable to a given reference year to which circumstances triggering the provisions of Malus and Clawback are related.
- 5.3.17** Due consideration may be given to the actual/ realized performance of the Company. For legal enforceability, the Malus and Clawback shall consider observable and verifiable measure of risk outcome.
- 5.3.18** The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact.
- 5.3.19** Malus/ clawback clause can be applied within a period of 3 years after the date of grant of Total Variable Pay.
- 5.3.20** On deciding to invoke Malus or Clawback, NRC will have power to take any of the following action basis the nature and severity of trigger:

In case of Malus Clause:

1. Cancel part or full vesting of the deferred cash or share linked component due for vesting in that particular year.
2. Cancel Part or full vesting of entire unvested deferred cash or share linked component which are to be vested in future years.

- **In case of Clawback Clause :**
 1. Recovery of part or full cash component of deferred variable pay paid over the applicable period;
 2. Recovery of part or full of benefit (in form of shares or cash equivalent of shares) accrued to the employees on account of exercise of share linked instrument.
 3. Forfeiture of part or full vested but unexercised/unpaid share linked instrument which are vested during the applicable period.

5.4 Review of Malus or Clawback Provisions- Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

Annexure- 8: Succession Planning

1. Preamble :

In terms of the provisions of Regulation 17 of SEBI Listing Regulations, the Listed Entities are required to put-in place for orderly succession for appointment to the Board of Directors and Senior Management. Accordingly, the board of directors ("Board") of all listed companies are required to develop an action plan for successful transition of key executives in accordance with the Listing Regulations.

In view of the above, the Company has formulated the following Policy on Succession Planning for the Board and Senior Management of the Company ("Policy").

2. Objectives :

The objectives of the Policy are, inter alia, as under:

- a) To ensure that the business of the Company is not adversely affected or hampered on account of superannuation, voluntary retirement, resignation, death or permanent incapacitation or sudden exit of any Member of the Board and Senior Management.
- b) To create a talent pool of high potential personnel, who will be suitable for appointment at the Board and Senior Management positions and to groom them to assume specific roles as and when required.
- c) To ensure qualitative and timely replacements for high level personnel in the Board and Senior management.
- d) To identify the competency requirements of critical and key positions, assess potential candidates and develop required competency through planned development and learning initiatives.

3. Implementation Process:

A. Positions at the Directors level:

- The responsibility of ensuring timely replacement for positions of any Director, lies with the NRC Committee. For vacancies in the Executive Directors, the NRC in consultation with the Chairman and other Members of the Committee, shall recommend to the Board the name(s) of the candidate(s) (whether internal or external) who have the necessary qualifications, qualities and traits for such position(s).
- For other vacancies in the Board, the NRC shall identify and recommend name(s) of the candidate(s) with requisite qualifications and characteristics for being considered for such position(s).
- The NRC shall undertake a process of due diligence to determine the suitability of the person for appointment/re-appointment /continuation as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper criteria.
- In the event of any unexpected vacancy in the Board, NRC shall meet and appoint from the identified pool of persons to take charge of the said position either on an interim basis or on permanent basis.

B. Positions at the Senior Management and other critical positions:

- The NRC shall review the vacancies, if any, at Senior Management level and other critical positions at least once a year. On the basis of such requirements, an appropriate action plan should be drawn and adopted.
- Such action plan, in the first instance, should consider the identification and short listing of an employee within the same location/function through a lateral transfer of an employee from another location/function.
- In case of non- availability, alternatively, the plan should consider selection of an external candidate/ lateral entry having the required skills, experience, leadership quality and expertise, necessary for the said position.

- It is also imperative to have a contingency plan in place to deal with sudden exits at the said Senior Management level. The Human Resource Department of the Company should identify a select pool of employees who can be trained to occupy senior level positions in case of any such eventuality for handling responsibilities.
- In addition to the above indicated key positions, there should be succession plans for the functional business heads like the Zonal Heads and Branch Heads and the persons heading / handling various departments/ sections in the Registered Office, as well.
