

SRG HOUSING FINANCE LIMITED



COMPENSATION POLICY FOR KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

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(In accordance with the RBI Guidelines dated April 29, 2022)

Background:

The Reserve Bank of India (RBI) has issued guidelines on compensation of Key Managerial Personnel (KMP) and Senior Management (SM) in NBFCs on April 29, 2022 ("Guidelines"). SRG Housing Finance Limited ("the Company") currently has a Nomination and Remuneration Policy which defines its formal compensation philosophy to build a high-performance culture and one that drives long term commitment to its vision and goals. In view of the Guidelines, this Policy has been framed to provide a framework to govern compensation of KMPs and SM and shall apply to them in addition to the existing Remuneration Policy. In case of any conflict between this Policy and the Remuneration Policy, this Policy shall prevail with respect to KMPs and SM. This Policy shall be applicable from April 1, 2023.

I. Objective:

1. To ensure that the compensation practices are within the regulatory framework stipulated from time to time by RBI or any other relevant regulatory body.
2. To ensure effective governance of compensation and alignment of compensation practices with prudent risk taking.

II. Coverage: This Policy shall be applicable to:

1. Key Managerial Personnel (KMP)
Managing Director & CEO
Chief Financial Officer
Company Secretary
2. Senior Management Personnel: As per Section 178 of the Companies Act (2013), personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Managing/Executive Director, including the functional heads.

III. Governance Structure for Compensation:

1. The Nomination and Remuneration Committee ("NRC") has been constituted for framing, review and implementation of the Company's compensation policy on behalf of the Board and its role is as set out in the NRC Charter.
2. This Policy will be subject to review by the NRC on an annual basis and approved by the Board.

IV. Principles for Determination of Compensation for KMPs and Senior Management:

Compensation to KMPs and Senior Management shall be determined based on the following principles:

1. The level and composition of compensation is reasonable and sufficient to attract, retain and motivate the Senior Management team of the quality required to run the Company successfully, which means compensation should be:
 - market competitive ('market' for every role is defined as companies from which the Company attracts talent or companies to which the Company loses talent).
 - driven by the role played by the individual.
 - reflective of the size of the Company, complexity of the sector / industry / Company's operations and the Company's capacity to pay.
2. Linkage of compensation to appropriate performance benchmarks.
3. Compensation outcomes are symmetric with risk outcomes and pay-outs thereof are sensitive to the time horizon of the risk.
4. Compensation structure will have a proper balance between Fixed Pay and Variable Pay.

5. The deterioration in the financial performance of the Company / business segment/ function/ individual can lead to a contraction in the total amount of variable pay, which can even be reduced to zero for a particular year depending on the performance outcome of the year.

V. Compensation Structure:

Compensation structure broadly consists of following elements:

1) Fixed Pay (TFP)

All the fixed elements of compensation, including the perquisites and contributions towards superannuation/retiral benefits, as reflected in the Form 16 of the employee will be treated as part of fixed pay.

2) Variable Pay (VP)

- The variable pay shall be in the form of share-linked instruments, or a mix of cash and share-linked instruments.
- The total variable pay subject to the terms of appointment.

VI. Compensation for KMPs and Senior Management in Control and Assurance functions:

KMPs and Senior Management engaged in financial control, risk management, compliance and internal audit will be compensated in a manner that is independent of the business areas they oversee and commensurate with their role in the Company.

VII. Deferment 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.

VIII. Guaranteed Bonus:

Guaranteed bonus shall not be paid to KMPs and Senior Management. However, in the context of new hiring, joining/sign-on bonus may be considered and such bonus will neither be considered part of fixed pay nor of variable pay for the purposes of this policy.

IX. Malus and Clawback:

Malus arrangement permits the Company to prevent vesting of all or part of the variable pay which has been deferred. It does not reverse vesting after it has already occurred.

Clawback is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested compensation attributable to a given reference year in which the incident has occurred. The return would be in terms of net amount.

Malus and Clawback provisions shall apply regardless of whether the employee is in the employment of the Company or has separated.

Framework to invoke Malus/ Clawback

Relevant factors to be considered:

Deterioration in financial performance, provided that such deterioration as evaluated by the NRC, is not on account of changes in regulations, force majeure, market conditions, industry performance, economic, social or other conditions outside the control of the Company or any person. Any material gains/losses from extraordinary transactions would not be included while computing movement in PAT for this purpose.

The NRC Committee also reserves the right to include any additional conditions which may trigger Malus/ Clawback provisions over and above those defined herein.

While setting criteria for the application of malus and clawback, the company may also specify the period during which malus and/or clawback can be applied, covering at least the deferral period.

Malus and Clawback shall apply equally to resigning and retiring employees.

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Last Review on 23-05-2024