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**HOME FIRST FINANCE COMPANY INDIA LIMITED**

**(‘Home First’)**

**NOMINATION AND REMUNERATION POLICY**

The philosophy for remuneration of directors, key managerial personnel (“KMP”) and all other employees of Home First Finance Company India Limited (the “Company”) is based on the commitment of fostering a culture of leadership with trust. The remuneration policy is aligned to this philosophy.

This remuneration policy has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 (the “Act”). In case of any inconsistency between the provisions of law and this remuneration policy, the provisions of the law shall prevail, and the Company shall abide by the applicable law. While formulating this policy, the Nomination and Remuneration Committee (the “NRC”) has considered the factors laid down under Section 178(4) of the Act, which are as under:

*“(a) 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;  
(b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and  
(c) remuneration to directors, key managerial personnel and senior management 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”*

## **I. Role of the NRC**

Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee shall be:

1. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;

For every appointment of an independent director, the Nomination and Remuneration Committee 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:

- a. use the services of an external agencies, if required;
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates
2. Formulating of criteria for evaluation of the performance of the independent directors and the Board;
  3. Devising a policy on Board diversity;
  4. Identifying persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board their appointment and removal, and carrying out evaluations of every director’s performance;
  5. Determining 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;
  6. Analyzing, monitoring and reviewing various human resource and compensation matters;
  7. Determining the Company’s policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;

8. Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;
9. Reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;
10. Performing such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended;
11. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:
  - (i) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
  - (ii) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.
12. Performing such other activities as may be delegated by the Board and/or specified/provided under the Companies Act or the Listing Regulations, or by any other regulatory authority”;
13. Recommend to the board, all remuneration, in whatever form, payable to senior management; and
14. Performing such other functions as may be required for the performance of any of the above duties.

The remuneration shall be decided in the following manner:

**1. Remuneration for independent directors and non-independent non-executive directors**

- a. Independent Directors (“ID”) and Non-Independent Non-Executive Directors (“NED”) may be paid sitting fees (for attending the meetings of the Board and of committees of which they may be members) and commission within regulatory limits.
- b. Within the parameters prescribed by law, the payment of sitting fees and commission will be recommended by the NRC and approved by the Board.
- c. Overall remuneration (sitting fees and commission) should be reasonable and sufficient to attract, retain and motivate directors aligned to the requirements of the Company (taking into consideration the challenges faced by the Company and its future growth imperatives).
- d. Overall remuneration should be reflective of size of the company, complexity of the sector/ industry/ Company’s operations and the Company’s capacity to pay the remuneration.
- e. Overall remuneration practices should be consistent with recognized best practices.
- f. Quantum of sitting fees may be subject to review on a periodic basis, as required.
- g. The aggregate commission payable to all the NEDs and IDs will be recommended by the NRC to the Board based on Company performance, profits, return to investors, shareholder value creation and any other significant qualitative parameters as may be decided by the Board.
- h. The NRC will recommend to the Board the quantum of commission for each director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and committee meetings, individual contributions at the meetings and contributions made by directors other than in meetings.

- i. In addition to the sitting fees and commission, the Company may pay to any director such fair and reasonable expenditure, as may have been incurred by the director while performing his/ her role as a director of the Company. This could include reasonable expenditure incurred by the director for attending Board/ Board committee meetings, general meetings, court convened meetings, meetings with shareholders/ creditors/ management, site visits, induction and training (organized by the Company for directors) and in obtaining professional advice from independent advisors in the furtherance of his/ her duties as a director.

## 2. Remuneration for Managing Director (“MD”)/ Executive Directors (“ED”)/ KMP/ rest of the employees<sup>1</sup>

- The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Hence remuneration 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 size of the Company, complexity of the sector/ industry/ company’s operations and the company’s capacity to pay,
  - Consistent with recognized best practices and
  - Aligned to any regulatory requirements.
- In terms of remuneration mix or composition:
  - The remuneration mix for the MD/ EDs is as per the contract approved by the shareholders. In case of any change, the same would require the approval of the shareholders.
  - Basic/ fixed salary is provided to all employees to ensure that there is a steady income in line with their skills and experience.
  - In addition to the basic/ fixed salary, the Company provides employees with certain perquisites, ESOPs, allowances and benefits to enable a certain level of lifestyle and to offer scope for savings and tax optimization, where possible. The Company also provides all employees with a social security net (subject to limits) by covering medical expenses and hospitalization through re-imbursments or insurance cover and accidental death and dismemberment through personal accident insurance.
  - The Company provides retirement benefits as applicable.
  - In addition to the basic/ fixed salary, benefits, perquisites and allowances as provided above, the Company provides MD/ EDs such remuneration by way of commission, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board, subject to the overall ceilings stipulated in Section 197 of the Act. The specific amount payable to the MD/ EDs would be based on performance as evaluated by the Board or the NRC and approved by the Board. [applicable in case Commission is provided to MD/ EDs]
  - In addition to the basic/ fixed salary, benefits, perquisites and allowances as provided above, the Company provides MD/ EDs such remuneration by way of an annual incentive remuneration/ performance linked bonus subject to the achievement of certain performance criteria and such other parameters as may be considered appropriate from time to time by the Board. An indicative list of factors that may be considered for determination of the extent of this component are:
    1. Company performance on certain defined qualitative and quantitative parameters as may be decided by the Board from time to time,
    2. Industry benchmarks of remuneration,
    3. Performance of the individual. [applicable in case Commission is not provided to MD/ EDs]
  - The Company provides the rest of the employees a performance linked bonus. The performance linked bonus would be driven by the outcome of the performance appraisal process and the performance of the Company.

## 3. Remuneration payable to Director for services rendered in other capacity

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<sup>1</sup> Excludes employees covered by any long term settlements or specific term contracts. The remuneration for these employees would be driven by the respective long term settlements or contracts.

The remuneration payable to the Directors shall be inclusive of any remuneration payable for services rendered by such director in any other capacity unless:

- a) The services rendered are of a professional nature; and
- b) The NRC is of the opinion that the director possesses requisite qualification for the practice of the profession.

- **Policy implementation**

The NRC is responsible for recommending the remuneration policy to the Board. The Board is responsible for approving and overseeing implementation of the remuneration policy.

**Review of the Remuneration Policy**

This Remuneration Policy will be reviewed and reassessed by the NRC as and when required and appropriate recommendations shall be made to the Board to update this Remuneration Policy based on changes that may be brought about due to any regulatory amendments or otherwise.