

Nido – Nomination and Remuneration Policy

Nido Home Finance Limited (Formerly known as Edelweiss Housing Finance Limited)

CIN: U65922MH2008PLC182906

Regd. Off: Tower 3, Wing 'B', Kohinoor City Mall, Kohinoor City, Kirool Road, Kurla (West), Mumbai – 400 070

Website:

<https://www.edelweisshousingfin.com/>

Document Name	Nomination and Remuneration Policy
Document Owner	Secretarial
Security Classification	Internal
Location	Applicable to all Nido locations
Approver	Board of Directors
Version control	V2022-23.01

Version	Modification Date	Brief description
V2022-23.01	March 29, 2023	Review of the Policy
V2	July 03, 2020	Review of the Policy
V1	January 16, 2012	Adoption of Policy

[For Internal use only]

This is a confidential document. Unauthorized access, copying and replication are prohibited.

CONTENTS

1. BACKGROUND3

2. OBJECTIVE3

3. DEFINITIONS.....3

4. SCOPE AND APPLICABILITY4

5. NOMINATION AND REMUNERATION COMMITTEE4

6. QUALIFICATION FOR DIRECTOR CANDIDATURE4

7. TENURE OF DIRECTORS4

8. CRITERIA FOR INDEPENDENCE OF INDEPENDENT DIRECTOR5

9. FIT AND PROPER CRITERIA5

Board Diversity.....6

10. REMUNERATION DETAILS.....6

 10.1 Principles for compensation 7

 10.2 Remuneration of the Independent Directors & Non- executive Directors 8

 10.3 Remuneration of the Managing Director & Executive Directors 8

 10.4 Remuneration of the KMP (other than Executive Directors) and Senior level employees 9

11. APPOINTMENT/ REAPPOINTMENT OF DIRECTORS OF THE BOARD9

 11.1 Appointment of Directors, KMP and Other Senior Management personnel 9

 11.2 Appointment of Independent Directors 9

12. DISCLOSURES.....10

13. POLICY REVIEW10

14. ANNEXURE10

1. BACKGROUND

The Nomination & Remuneration Policy (“Policy”) of Nido Home Finance Limited (Formerly known as Edelweiss Housing Finance Limited) (“Nido” or “Company”) is formulated under the Companies Act, 2013 (“Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (“Listing Regulations”) and other applicable laws (hereinafter referred to as “Relevant laws”). The Policy has also taken into considerations the Reserve Bank of India (“RBI”) Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs (“RBI Guidelines”) dated April 29, 2022.

The Policy lays down the framework for determining the remuneration payable to the Directors, Key Managerial Personnel and other employees.

The Policy also lays down the criteria for appointment of Directors and ensuring the composition of the Board is sufficient for the Company to achieve its objectives

2. OBJECTIVE

- Provide a framework for the remuneration of the Independent Directors, Non-executive Directors, Managing Director/Executive Directors, KMPs, and other senior level employees of the Company.
- Ascertaining the criteria for appointment/ reappointment of the Directors

3. DEFINITIONS

- (i) **“Board”** means the Board of Directors of Nido
- (ii) **“Director”** means a Director (excluding Managing Director) appointed on the Board of Nido.
- (iii) **“Key Managerial Personnel”** means Key Managerial Personnel (“KMP”) as per section 2(51) of the Act.
- (iv) **“The Committee”** means the Nomination and Remuneration Committee (“NRC”) constituted by the Board.
- (v) **“Independent Director”** means a director referred to in Section 149 (6) of the Act and/or as defined under Regulation 16 (b) of the Listing Regulation.
- (vi) **“Senior Management”** means 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 executive directors, including the functional heads.

4. SCOPE AND APPLICABILITY

The Policy shall apply to all Directors, KMP, Senior Management and other employees of the Company.

5. NOMINATION AND REMUNERATION COMMITTEE

The Company has constituted a Nomination and Remuneration Committee (“NRC”) as per the provisions of section 178 of the Act and Regulation 19 of the Listing Regulations. The composition, frequency of meetings and quorum has been laid down in the Nido Corporate Governance Policy.

Section 149 of the companies ACT states the company to have Board of Directors.

6. QUALIFICATION FOR DIRECTOR CANDIDATURE

One of the Board's most important responsibilities is identifying, evaluating and selecting candidates for the Board of Directors. The Nomination and Remuneration Committee reviews the qualifications of potential director candidate and makes recommendations to the Board. The factors considered by the Committee and the Board in its review of potential candidates include:

- Whether the candidate has exhibited behavior that indicates he or she is committed to the highest ethical standards and our shared responsibilities.
- Whether the candidate has special skills, expertise and background that would complement the attributes of the existing Directors, taking into consideration the diverse communities and geographies in which the Company operates.
- Whether the candidate has the financial expertise required to provide effective oversight of a diversified financial services business that operates on a global scale.
- Whether the candidate has achieved prominence in his or her business, governmental or professional activities, and has built a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make.
- Whether the candidate possesses a willingness to challenge management while working constructively as part of a team in an environment of collegiality and trust.
- Whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director.

7. TENURE OF DIRECTORS

1. Managing Director / Whole-time Director:

The Company shall appoint or re-appoint any person as its Managing Director and CEO or whole time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

2. 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 shall be made in the Board's Report of the Company.

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.

8. CRITERIA FOR INDEPENDENCE OF INDEPENDENT DIRECTOR

As per Section 149 (6) An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director, —

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience.

(b) (i) who is or was not a promoter of the company or its holding, subsidiary company or subsidiaries associate company

(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company.

Declaration from Independent Director – Section 149 (7) of the Companies Act 2013

Every independent director shall give a declaration that he meets the criteria of independence as provided in sub-section (6)- (a) at the first meeting of the Board in which he participates as a director, and (b) thereafter at the first meeting of the Board in every financial year, or (c) whenever there is any change in the circumstances which may affect his status as an independent director. The Format of independent director's Declaration of Independence under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 has been attached in annexure.

9. FIT AND PROPER CRITERIA

- The policy on the fit and proper criteria, on the lines of the Guidelines issued by NHB (as amended by NHB from time to time), would be applicable to ascertain the fit and proper criteria of the directors at the time of appointment, and on a continuing basis.
- Nido shall obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in NHB Guidelines (as amended by NHB from time to time).
- Nido shall obtain a Deed of Covenant signed by the directors, which shall be in the format as given in NHB Guidelines (as amended by NHB from time to time).

- Nido shall furnish to the National Housing Bank a quarterly statement on change of directors, and a certificate from the Managing Director of the HFC that fit and proper criteria in selection of the directors has been followed. The statement must reach the National Housing Bank, New Delhi within 15 days of the close of the respective quarter. The statement submitted for the quarter ending March 31, should be certified by the auditors.
- Provided that NHB, if it deems fit and in public interest, reserves the right to examine the fit and proper criteria of directors of the Company irrespective of the asset size of Nido.

BOARD DIVERSITY

Board Diversity sets out the Nido's approach to ensure adequate diversity in its Board of Directors (the "Board") and is devised in consultation with the Nomination and Remuneration Committee (the "Committee") of the Board.

The Nomination and Remuneration Committee ('Committee') is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified persons to occupy Board positions.

While all appointments to the Board will continue to be made on merit, the Committee will consider the benefits of diversity (including but not limited to the attributes listed above) in identifying and recommending persons for Board membership, as well as in evaluating the Board and its individual members.

Accordingly, the Committee shall:

- Assess the appropriate mix of diversity, skills, experience, and expertise required on the Board and assess the extent to which the required skills are represented on the Board,
- Make recommendations to the Board in relation to appointments, and maintain an appropriate mix of diversity, skills, experience, and expertise on the Board, and
- Periodically review and report to the Board requirements, if any, in relation to diversity on the board

10. REMUNERATION DETAILS

While determining the remuneration, the NRC shall consider the following factors:

- the level and composition of remuneration is reasonable and sufficient to attract, retain talent required to run the company successfully.
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

- remuneration to the Directors, KMPs and senior management comprises a balance of fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

10.1 PRINCIPLES FOR COMPENSATION

Pursuant to the RBI Guidelines, the NRC may factor in the following aspects:

- **Components and risk alignment:** The compensation packages 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 compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.
- **Composition of Fixed Pay:** All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. 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.
- **Composition of Variable Pay:** The variable pay may be in the form of share-linked instruments, or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.
 - **Proportion of Variable Pay:** The proportion of variable pay in total compensation shall 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. 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.
 - **Deferral of variable pay:** Certain portion of variable pay, as decided by the Board, 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.
 - **Control and assurance function personnel:** 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. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

- **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.
- **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 Company, which require them to invoke the malus and clawback clauses that may be applicable on entire variable pay.

10.2 REMUNERATION OF THE INDEPENDENT DIRECTORS & NON- EXECUTIVE DIRECTORS

- According to Section 197 of the Act, except with the approval of the company in general meeting by passing a special resolution, the Company can pay remuneration to its non-executive directors not exceeding 1% of the net profit of the Company. Net profit shall be calculated as per section 198 of the Act.
- The Independent Directors & Non-executive Directors are eligible for sitting fees for attending the meetings of the Board and the Committees thereof.
- The Independent Directors & Non-executive Directors are also eligible for commission, subject to limits prescribed under the Act and the Rules framed there under.
- The Independent Directors are not eligible for stock options.
- The Non-executive Directors (other than promoter Directors) shall be eligible for stock options.

10.3 REMUNERATION OF THE MANAGING DIRECTOR & EXECUTIVE DIRECTORS

- The remuneration of the Managing Director/Executive Directors is recommended by the NRC to the Board. Based on the recommendations of the NRC, the Board determines and approves the remuneration of the Managing Director/Executive Directors, subject to necessary approvals, if any.
- The remuneration paid to the Managing Director/Executive Directors is within the limits prescribed under the Act and approved by the shareholders of the Company. The remuneration payable to any one managing director or whole- time director shall not exceed 5% of the net profits of the company and shall not exceed 10% of the net profits to all such directors and manager taken together.
- The remuneration structure includes fixed salary, perquisites, bonus, other benefits and allowances and contribution to Funds, etc.

- The Executive Directors (other than the promoter Directors) shall be eligible for stock options.

10.4 REMUNERATION OF THE KMP (OTHER THAN EXECUTIVE DIRECTORS) AND SENIOR LEVEL EMPLOYEES

- The key components of remuneration package of the KMP (other than Executive Directors) and senior level employees shall comprise of fixed salary, perquisites, annual bonus, other benefits and allowances and contribution to Funds, etc.
- They shall be eligible for stock options.

11. APPOINTMENT/ REAPPOINTMENT OF DIRECTORS OF THE BOARD

The NRC is entrusted with the responsibility of formulating the criteria for determining qualifications, positive attributes and independence of a Director for their appointment/ reappointment.

While appointment of the Directors of the Board, the NRC shall ensure there is no conflict of interest in appointment of directors and their independence is not subject to any potential threats.

11.1 APPOINTMENT OF DIRECTORS, KMP AND OTHER SENIOR MANAGEMENT PERSONNEL

- Appointment of Directors and KMPs shall be in accordance of provisions of Section 196 and 203 of the Act
- Persons holding maximum number of directorships in other companies as per Section 165 of the Act and Regulation 17A of the Listing Regulation shall not be eligible to be appointed as a Director in the Company
- No person having any of the disqualifications mentioned in Section 164 and Schedule V of the Act shall be appointed as a Director in the Company
- The Company shall not appoint or reappoint any person as its Managing Director, Whole Time Director or Manager for a term exceeding five years at a time and no reappointment shall be made earlier than one year before the expiry of his term.

11.2 APPOINTMENT OF INDEPENDENT DIRECTORS

- Person eligible as per Section 149(6) of the Act and Regulation 16(b) of the Listing Regulations shall be appointed as an Independent Director in the Company
- Appointment / Reappointment / Resignation or Removal of Independent Directors shall be in accordance of provisions of Schedule IV of the Act

- 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 NRC may:
 - use the services of an external agencies, if required;
 - consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - consider the time commitments of the candidates.

12. DISCLOSURES

The following disclosures shall be made by the Company as required by the Act and the Listing Regulations:

- Nomination and Remuneration Policy shall be disclosed in the Board's Report.
- All pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company shall be disclosed in the Annual Report.
- The ratio of the remuneration of each Director to the median employee's remuneration shall be disclosed in the Board's report.

13. POLICY REVIEW

- The NRC shall review this Policy annually or in the event of any amendments in the applicable regulations, whichever is earlier.
- The NRC shall recommend the changes in the Policy to the Board for approval.

14. ANNEXURE



Declaration of
Independence form.d