

APTUS VALUE HOUSING FINANCE INDIA LIMITED

POLICY ON APPOINTMENT, REMUNERATION AND EVALUATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT (THE “POLICY”)

1. Preamble:

Aptus Value Housing Finance India Limited (“Aptus” or the “Company”) has adopted this Policy on appointment, remuneration and evaluation of the Directors, Key Managerial Personnel (KMP) and Senior Management Personnel (the “Policy”) pursuant to the provisions of Section 178 of the Companies Act, 2013 (“Act”), Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 (“Master Directions”) and Scale Based Regulation (SBR) dated October 22, 2021 read with ‘Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs’ issued by the Reserve Bank of India (“RBI Guidelines”) vide notification dated April 29, 2022, as amended from time to time.

The purpose of this Policy is to establish and govern the procedure applicable:

- a) To appoint Directors, KMP and Senior Management Personnel and to determine their remuneration.
- b) To evaluate the performance of the members of the Board.
- c) Selection and performance evaluation criteria for the directors, senior management personnel and key managerial personnel of the Company.
- d) Determination of qualification, positive attributes and independence test for the Independent Directors to be appointed.

This policy has been framed taking into the account the following factors:

- a) To ensure remuneration to Directors, KMP 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
- b) 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;
- c) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

2. Definitions:

“Independent Director” means a director referred to in Section 149(6) of the Act, as amended from time to time.

“Key Managerial Personnel” (the “KMP”) shall mean “Key Managerial Personnel” as defined in Section 2(51) of the Act.

“Nomination and Remuneration Committee” (the “NRC”), by whatever name called, shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act.

“Remuneration” means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

“Senior Management” shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

“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.

“Malus” arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.

Words and expressions used and not defined in this Policy but defined in the Act or any rules framed under the Act or the Accounting Standards shall have the meanings assigned to them in these regulations.

3. Composition of the Nomination & Remuneration Committee:

The Nomination & Remuneration Committee shall consist of three or more non-executive directors out of which not less than two-thirds shall be independent directors. The Chairperson of the Nomination and Remuneration committee shall be an Independent Director. Provided that the chairperson of the Company, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee but shall not chair the Committee.

4. Appointment and removal of Director, KMP and Senior Management:

4.1. Appointment criteria and qualification: The NRC shall identify a person for appointment as a Director or KMP based on integrity, qualification, expertise and experience of the person and recommend to the Board for its approval.

For the appointment of KMP and Senior Management Personnel, a person should possess adequate qualification, expertise and experience for the position he / she is considered for the appointment.

Further, for administrative convenience, the Executive Chairman and Managing Director are authorized to identify and appoint suitable persons as Senior Management Personnel. The Managing Director may also consult the Committee / Board for further directions /guidance in this regard.

4.2. Term: The term of the Directors including the Executive Chairman and Managing Director shall be governed as per the provisions of the Act and Rules made there under, as amended from time to time. The term of the KMP (other than the Executive Chairman and Managing Director) and Senior Management Personnel shall be governed by the prevailing HR policies of the Company.

5. Remuneration for Executive Chairman

The remuneration for Executive Chairman is as per the terms approved by the Board and shareholders based on the recommendations of the NRC.

In addition to the salary, allowances, benefits, perquisites, the Company may pay such remuneration by way of bonus / performance linked incentive and/ or commission with reference to the net profits of the Company in a particular financial year, as may be determined by the Board based on recommendation of the NRC, subject to the overall ceilings stipulated in Section 197 of the Companies Act, 2013.

6. Remuneration for Managing Director

The remuneration for Managing Director is as per the terms approved by the Board and shareholders based on the recommendations of the NRC.

In addition to the salary, allowances, benefits, perquisites, the Company may pay such remuneration by way of bonus / performance linked incentive and/ or commission with reference to the net profits of the Company in a particular financial year, as may be determined by the Board based on recommendation of the NRC, subject to the overall ceilings stipulated in Section 197 of the Companies Act, 2013.

7. Remuneration for Independent Directors and Non-Independent Non-Executive Directors

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 annual commission within regulatory limits. Quantum of sitting fees may be subject to review as and when required.

The payment of sitting fees / commission will be recommended by the NRC and approved by the Board.

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.

8. Remuneration for KMP and Senior Management Personnel

The Nomination and Remuneration committee shall evaluate the performance and determine the remuneration payable to KMPs. Executive Chairman shall evaluate the performance and determine the remuneration payable to the Senior Management Personnel. The Executive Chairman may also consult the Committee / Board for further directions /guidance in this regard.

9. Principles for compensation :

The compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices. The compensation packages may comprise of fixed and variable pay components aligned effectively with prudent risk taking 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.

The Company shall adopt the following principles for compensation while deciding compensation for the Senior Management Personnel (SMP) /Key Managerial Personnel (KMP):

- **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. The fixed pay will include basic/fixed salary, perquisites, allowances and benefits contribution to provident fund, gratuity etc.

- **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. Actual payout towards the Annual Performance Based Variable Pay will be determined at the end of the Performance Year based on the eligibility criteria and performance measures as determined by the Company from time to time.

- **Proportion of variable pay:**

The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of KMPs/ SMPs. At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, department and company level. In order to do so, performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees clearly perceive the incentive mechanism.

- **Deferral of variable pay:**

The Board of the Company upon recommendation of the Nomination & Remuneration committee may decide the portion of variable pay (both cash and non-cash components) that will be subject to deferral, including the period for such deferral. Deferral of a portion of variable pay may be considered by the NRC if the percentage of variable pay exceeds 50% of the total pay. The period of deferral would not be more than 3 years from the year of award.

- **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. Accordingly, such KMP and employees will have higher proportion of fixed compensation.

- **Guaranteed Annual Performance Bonus:**

Guaranteed Annual Performance Bonus may not be paid to KMPs and senior management. However, in the context of new hire joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

- **Malus / Clawback:**

The Board may upon recommendation of the NRC invoke Malus/Clawback in the following instances on the variable pay payable to KMPs and senior management.

- Subdued or negative financial performance of the company
- Fraud / serious misconduct of that KMP/SMP in any year

Whenever, the criteria for a malus or clawback provision arises the NRC shall specify the quantum and period on case-to-case basis during which malus and/or clawback can be applied.

10. Annual Performance Evaluation:

The NRC shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance. The evaluation criteria shall be laid down by the NRC.

11. Policy Review:

Subject to the recommendations of the Nomination & Remuneration Committee, the Board reserves the right to review and amend this policy, if required, to ascertain its appropriateness as per the needs of the Company or regulatory requirements.