

**WEST END HOUSING FINANCE LIMITED  
(WEHFL)**

**NOMINATION AND REMUNERATION POLICY**

**Summary of Version History**

Approving Authority	Board of Directors
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## NOMINATION POLICY

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### 1. Purpose of the Policy

In terms of Section 178(4) of the Companies Act, 2013 (“Act”), and any other applicable provisions on Board Effectiveness and efficiency. This Policy issued by West End Housing Finance Limited and adopted by the Board of Directors, the Nomination and Remuneration Committee (“NRC”) of the Board is, inter alia, required to formulate a Policy on Board Diversity and lay down the criteria for determining qualifications, positive attributes and independence of a director.

#### 1.1 Terms and References:

In this Policy, the following terms shall have the following meanings:

- i. “The Board” means the Board of Directors of the Company
- ii. “Director” means a director of a company
- iii. “Committee” means the Nomination and Remuneration Committee as constituted or reconstituted by the Board, in accordance with the provisions of Section 178 of the Companies Act, 2013 and
- iv. “Key Managerial Personnel” (KMP) means
  - The Chief Executive Officer or the Managing Director or the manager;
  - The Whole-Time Director;
  - The Chief Financial Officer; and
  - The Company Secretary; andsuch other officer as may be prescribed under the Companies Act, 2013 from time to time.
- v. “Senior Management” means personnel of the Company who are members of its core management team excluding the Board and all members of the management one level below the Executive Directors.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 and any other applicable provisions on the Company and any amendments from time to time shall have the same meaning assigned to them therein.

### 2. Benefits of Board Diversity

Diversifying the board is said broadly to have the following benefits:

- More effective decision making.
- Better utilisation of the talent pool.
- Enhancement of corporate reputation and investor relations by establishing the company as a responsible corporate citizen.

The chairman, being the leader of the board, has to facilitate new members joining the team and to encourage open discussions and exchanges of information during formal and informal meetings. To create such a well-functioning team, the chairman further needs to commit and support mentoring, networking and adequate training to board members.

The nomination committee should give consideration to diversity and establish a formal recruitment policy concerning the diversity of board members with reference to the competencies required for the board, its business nature as well as its strategies. They are strongly encouraged not to seek candidates merely through personal contacts and networks in order to carry out a formal and transparent nomination process.

The most important ingredient to the success of board diversity, however, would most probably be the board members' changing their mindset to welcome a more heterogeneous board, as well as to place greater trust in one another and work together more effectively.

In view of the above, West End Housing Finance Limited ("WEHFL" or "Company") has framed this Nomination and Remuneration Policy ("Policy") that encourages diversity of thought, provides the desired vision, experience, knowledge, perspective, age and gender in the Board. The Policy sets out the approach to diversity in the Board of Directors of the Company so as to ensure that the Board has an appropriate blend of functional and industry expertise.

This Policy has been adopted by the Board of Directors of the Company, based on the recommendations of the NRC.

### 3. Objectives of The Policy

The Objectives of the Policy include:

- i. Directors & Senior Management Team succession plan.
- ii. Remuneration of Executive Directors
- iii. Board to drive diversity and have an appropriate blend of functional and industry expertise;
- iv. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for the appointment of a director and to recommend their appointment/removal;
- v. To lay out the remuneration principles for the directors, KMP and other employees;
- vi. To lay down the criteria for identifying people who can be appointed in senior management and recommend their appointment.
- vii. While recommending the appointment of a director to, inter alia, consider the manner in which the function and domain expertise of the individual contributes to the overall skill domain mix of the Board;
- viii. Remuneration of the Senior Management Team.
- ix. To help the Company build a better Board that can draw upon a wide range of perspectives, expertise, knowledge and experience;
- x. To achieve an optimum and balanced Board, with a wide range of attributes;
- xi. To encourage healthy and open discussion and promote independence of judgement in Board and Committee deliberations; and
- xii. To have an optimum mix of Executive, Non-Executive and Independent Directors, including Women Directors.

#### **4. Policy Statement**

To meet the above Objectives:

- i. The Board of WEHFL will ensure that a transparent Board nomination process is in place that encourages diversity of thought, experience, skills, knowledge, perspective, age, nationality, gender, cultural and educational background;
- ii. It will be ensured that the Board has an appropriate blend of functional and industry expertise and skills;
- iii. The consideration and selection of candidates for appointment to the Board will be based on merit which shall include a review of any candidate's integrity, experience, educational background, industry or related experience and more general experience;
- iv. Candidates that bring a diversity of background and opinion from amongst those candidates with the appropriate background and industry or related expertise and experience and having the ability to devote sufficient time to the affairs of the Company, should be considered for appointment to the Board; and
- v. While recommending the appointment of a Director, the NRC will consider the criteria as laid down under the Act and applicable Regulations/Guidelines issued by Statutory and Regulatory Authorities, from time to time, and the manner in which the function and domain expertise of the individual will contribute to the overall skill-domain mix of the Board.

#### **4.1 Policy for the appointment and removal of Directors, KMP and Senior Management:**

The criteria for the appointment of Directors, KMP and Senior Management are as follows:

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his/her appointment.
- The candidate shall possess adequate qualification, expertise and experience for the position he/she is considered for appointment.
- The appointment of any Whole-Time Director/KMP/Senior Management shall also be governed by the prevailing employment policies of the Company.
- A Whole-Time KMP of the Company shall not hold office in more than one Company except in its subsidiary company at the same time. However, a Whole-Time KMP can be appointed as a Director in any company subject to the same being intimated to the Board or being in accordance with the policy of the Company.
- In case of an Independent Director, the proposed appointee should possess the desired attributes and should not suffer from any disqualifications as prescribed under Section 149(6) read with the relevant rules of the Companies Act, 2013 and any further amendments therein.

#### **4.2 Term/Tenure:**

##### **1. Managing Director/Whole-time Director:**

The Company may appoint or re-appoint a person as its Executive Chairman, Managing Director or Executive 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 his/her 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 in the Board's report. No Independent Director shall hold office for more than two consecutive terms but such Independent Director shall be eligible for re-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. The terms and conditions of appointment will be as prescribed from time to time under the Companies Act, 2013.

#### **4.3 Removal:**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations thereunder or for such other compelling reasons, the Committee may recommend to the Board with reasons recorded in writing, removal of any Director, KMP or Senior Management Personnel subject to the provisions and compliance to the Act, Rules and Regulations, applicable policies of the Company and the Articles of Association of the Company

#### **4.4 Retirement:**

The Independent Directors shall not be liable to retire by rotation. The other Directors, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and prevailing policies of the Company. The Board will have the discretion to retain the Directors, KMP or other Senior Management Personnel in the same position/remuneration or otherwise, for the benefit of the Company.

#### **5.Measurable Objectives**

The NRC will largely rely on the regulatory provisions of the Act, and the Regulations/ Guidelines issued by the Reserve Bank of India (RBI) and review the measurable objectives for achieving diversity against these provisions and recommend the same to the Board for adoption. At any given point of time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

## REMUNERATION POLICY

### 1. Compensation Philosophy

West End Housing Finance Limited (“Company”) has adopted a Remuneration Policy based on a defined formal compensation philosophy, in order to build a high-performance culture, aligned to the Company’s Vision and Goals, the Compensation Philosophy aims at providing a significant differential to superior performers and also segregating increments and performance payouts, based on the actual performance of various business verticals.

The aforementioned Compensation Philosophy helps the Company to manage long term fixed cost, keep up with market compensation and infusion of right talent to help drive its growth plans.

Consistent with the principle of differential influence that an employee may have on the overall performance of the Company, different weights are assigned for the Company’s performance, the performance of Business Units / Functions and the performance of individuals. Thus, employees in entry level / junior management have greater weightage for individual performance while employees in senior leadership roles have maximum weightage for Company and Business Unit Performance.

### 2. Remuneration Policy for Directors, Key Managerial Personnel and Other Employees

The philosophy for remuneration of Directors, Senior Leadership Team, Key Managerial Personnel (“KMP”) and all other employees of the Company is based on the commitment to 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 (“Act”). In case of any inconsistency between the provisions of law and this Remuneration Policy, the provisions of law shall prevail and the Company shall abide by the applicable law. In case there are any changes in the law, the Company shall comply with the applicable amended provisions. While formulating this Remuneration Policy, the Nomination and Remuneration Committee (“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.”

The key principles governing this Remuneration Policy are, as follows:

## 2.1 Remuneration for Independent Directors and Non-Independent Non- Executive Directors

- (i) 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 the Board of which they may be Members) and Commission within regulatory limits and Rules of the Companies Act, 2013 and as per the provision of the Articles of Association of the Company.
- (ii) Within the parameters prescribed by law, the payment of Sitting Fees and Commission will be recommended by the NRC for approval of the Board.
- (iii) 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).
- (iv) Overall remuneration should be reflective of the size of the Company, complexity of the sector/ industry/ Company’s operations and the Company’s capacity to pay the remuneration.
- (v) Quantum of Sitting Fees may be subject to review on a periodic basis, as required.
- (vi) 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.
- (vii) 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 at Board and Committee meetings, individual contribution at the meetings and contributions made by directors, other than at Board and Committee meetings.
- (viii) 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, meetings with Stakeholders, site visits, induction and training (arranged by the Company for directors) and in obtaining professional advice from independent advisors in the furtherance of his / her duties as a director.
- (ix) If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Non-Executive / Independent Directors in accordance with the provisions of Schedule V of the Companies Act, 2013.

**2.2 Remuneration for Managing Director (“MD”) / Executive Directors (“ED”) / KMP / rest of the employees <sup>(Note-1)</sup>**

(i) The extent of overall remuneration to the MD / ED / KMPs / rest of the employees should be sufficient to attract and retain talented and qualified individuals suitable for their roles.

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 the 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.

(ii) In terms of remuneration mix or composition,

- the remuneration mix for the MD / EDs should be as per the contract approved by the Shareholders. In case of any change which is beyond the remuneration approved by the Shareholders, 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, 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-imburements or insurance cover and accidental death and dismemberment through personal accident insurance.
- in addition to the basic/ fixed salary, benefits, perquisites and allowances as provided above, the Company may provide 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 the performance of the MD / EDs as evaluated by the Board or the NRC and approved by the Board.

OR

- In addition to the basic/fixed salary, benefits, perquisites and allowances as provided above, the Company may provide to its 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: -



Company's performance on certain defined qualitative and quantitative parameters, as may be decided by the Board from time to time, Industry benchmarks of remuneration, Performance of the individual.

- The Company will provide the rest of the employees, a performance linked incentive pay. The performance linked pay would be driven by the outcome of the performance appraisal process and the performance of the Company.

### **2.3 Remuneration payable to Director for services rendered in other capacity**

No remuneration will be payable to the Directors for services rendered by such Director in any other capacity unless:

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

### **2.4 Loans to employees**

The Company may grant loans to its employees on such terms and conditions as may be determined by the Board or any Committee of the Board, from time to time, in accordance with applicable laws.

### **2.5 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.

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**Note 1:** *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.*