

SUPREME HOME LOANS

Sapno ka ghar, Supreme ke sang

APPOINTMENT AND REMUNERATION POLICY FOR KEY MANAGERIAL PERSONNEL (KMPs) AND SENIOR MANAGEMENT PERSONNEL (SMPs)

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SUPREME HOUSING FINANCE LIMITED

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PREAMBLE

In pursuance of the Company's policy to consider human resources as its invaluable assets and to pay equitable remuneration to its Key Managerial Personnel and Senior Management Personnel this policy has been formulated by the Remuneration Committee (RC) and approved by the Board of Directors of the Company. The Remuneration Committee and the Policy of Supreme Housing Finance Limited is formulated in compliance with Section 178 of the Companies Act, 2013 read with the applicable rules thereto and as per Non-Banking Financial Company-Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 (amended from time to time) ("RBI Master Directions"), read along with RBI Scale Based Regulatory Framework for NBFCs and the RBI Circular dealing with 'Guidelines on Compensation of Key Managerial Personnel (KMPs) and Senior Management Personnel (SMPs) in NBFCs' dated April 29, 2022 ("RBI Compensation Guidelines").

PURPOSE

This policy is framed after taking into consideration the requirement of the Companies Act, 2013 ("Act") read with applicable Rules & Regulations under the Act and Guidelines on Compensation of Key Managerial Personnel (KMPs) and Senior Management Personnel (SMPs) in Non-Banking Financial Companies (NBFCs) by the Reserve Bank of India as provided under Scale Based Regulatory Framework. The main objective of policy is:

- To ensure the transparency with respect to remuneration process of the KMP's and SMP's of the Company.
- To retain, motivate and promote talent along with ensuing long-term sustainability of talented employees and creating competitive advantage.
- To oversee the framing, review and implementation of this policy of the company with the approval of the Board. It may work in close coordination with the Risk Management Committee of the Company to achieve effective alignment between compensation and risks.
- To carry out performance evaluation of KMPs and SMPs to provide for reward(s) directly linked to their effort, performance, dedication and achievement relating to company's operation.
- The Remuneration Committee may ensure that compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).
- The Remuneration Committee shall meet as and when the need arises.

DEFINITIONS

"Company" means Supreme Housing Finance Limited ("SHFL").

"Policy" means Appointment and Remuneration Policy for Key KMPs and SMPs.

"Act" means the Companies Act, 2013 and rules made thereunder.

“Remuneration Committee” (RC) means the committee constituted for the purpose of Appointment and Remuneration of KMPs and SMPs. The committee shall comprise of 3 Non-Executive Directors, whereby Independent Directors forming the majority.

For SHFL, the constitution of Remuneration committee shall comprise of the following:

Independent Director	Chairman
Independent Director	Member
Non-Executive Director	Member

“Quorum” means the minimum members required to commence the meeting. The quorum for Remuneration Committee shall be 2 (two) members personally present.

“Board” means Board of Directors of the company.

“Key Managerial Personnel” (KMP) means Key Managerial Personnel as defined under section 2 (51) read with Section 203 under the Companies Act, 2013 and includes:

- (i) the Managing Director, the Chief Executive Officer or the Manager
- (ii) the Company Secretary
- (iii) the Whole-Time Director
- (iv) the Chief Financial Officer

“Senior Management Personnel” (SMP) shall mean 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 functional heads.

“MD” means the Managing Director of the Company.

“ED” means the Executive Director of the Company.

“WTD” means the Whole Time Director of the Company.

“CEO” means the Chief Executive Officer of the Company.

“HR Head” means person heading the Human Resource Department of the Company.

“Total compensation” means fixed and variable pay.

“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.

“Clawback” 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.

“Retention period” means a period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed.

APPLICABILITY OF POLICY

The remuneration policy shall be applicable to Key Managerial Personnel (KMPs) and Senior Management Personnel (SMPs) as defined under the head Definitions of this policy.

RESPONSIBILITY OF REMUNERATION COMMITTEE

- The Remuneration Committee shall in coordination with Head of Human Resource Department identify the candidates who are eligible to be appointed for the position of KMP and SMP and thereafter make recommendation to Board for their appointment alongwith proposed remuneration. While appointing any candidate to the position of KMP & SMP the Remuneration Committee shall take into consideration the integrity, qualification, expertise, experience, skill set and potential of the candidate. The proposed remuneration shall be consistent with the strategy of the Company and in line with the comparable market and internal remuneration benchmarks.
- Remuneration Committee shall ensure that the Director is meeting the “Fit and Proper Criteria” at the time of the appointment/renewal of appointment. It shall also obtain a declaration regarding ‘Fit and Proper Criteria’ on annual basis as on 31st March every year from each Director. The Committee shall undertake scrutiny of “Fit and Proper Criteria” at the time of appointment/ re-appointment/ any change in the interest of the director.
- Remuneration Committee while considering the appointment of KMPs shall also ensure that KMPs shall not hold simultaneously another position as whole-time KMP in any other Company. However, KMPs may hold the positions of KMP in any subsidiary of the Company in accordance with compliance of applicable laws.
- Remuneration Committee shall ensure that the position of any KMP should not be vacant for more than 6 months and take necessary actions to fill up the vacate position. Further any vacancy arising in the place of SMPs shall be filled as per the requirements of the company and based on the Human Resource (HR) policy.
- Remuneration Committee shall also specify the circumstances under which the position of KMPs and SMPs is liable to be terminated alongwith any further disciplinary action that may be initiated against them.
- Remuneration Committee shall also ensure that the Managing Director/ Whole time director shall not hold the office after attaining the age of 70 years. However, the term of person holding this position may be extended beyond the age of 70 years with the approval of shareholders by passing special resolution alongwith the explanatory statement containing the justification for extension of appointment beyond 70 years.
- Remuneration Committee shall also ensure that the Managing Director/ Whole-Time Director does not incur any disqualification as provided under Section 196(3) read with Section 164 of the Companies Act, 2013.

TENURE

The Company shall appoint or re-appoint any person as its Managing Director/Whole-Time Director for a term not exceeding five (5) years at a time. The provisions for re-appointment of the Managing Director/Whole Time Director shall not be made earlier than one year before the expiry of their term.

RETIREMENT

The KMPs and SMPs shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board shall have the discretion to retain the KMPs/SMPs in the same position/remuneration or otherwise even after attaining the retirement age for the benefit of the company after obtaining necessary approvals as may be required under any applicable law/regulations for the time being in force.

REMOVAL

Due to the reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations made thereunder, the Committee may recommend to the Board with reasons recorded in writing, removal of KMPs and SMPs as per the provisions of the applicable laws/regulations.

REMUNERATION STRUCTURE

The remuneration of KMPs and SMPs need to be reasonable, considering 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.

Compensation Structure: The compensation structure shall broadly comprise the following components:

- a. Fixed Pay
- b. Variable Pay

Components of Fixed Pay:

- a. All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay.
- b. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements.
- c. 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.

Components of Variable Pay:

- a. The variable pay shall be in the form of share-linked instruments, or a mix of cash and share-linked instruments in conformity with relevant statutory provisions.
- b. The proportion of variable pay in total compensation shall be as per the terms and conditions of appointment/reappointment of KMPs and SMPs. The proportion of variable pay shall commensurate with the role and prudent risk-taking profile of KMPs/ SMPs. The variable pay shall 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

Not all the variable pay awarded after performance assessment shall be paid immediately. Certain portion of variable pay, as decided by the Board (on the recommendation of Remuneration Committee) 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 as decided by the Board of the Company is provided hereunder:

Deferred Schedule			
25-26 (1 ST Year)	26-27 (2 nd Year)	27-28 (3 rd Year)	28-29 (4 th Year)
70%	10%	10%	10%

The Remuneration Committee may change the deferral quantum and period on the basis of Industry and regulatory context, company risk context and emerging best practices from time to time.

CONTROL AND ASSURANCE FUNCTION PERSONNEL

KMPs and SMPs 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 shall have higher proportion of fixed compensation. However, a reasonable proportion of compensation shall 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 SMPs. 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 AND CLAWBACK

Keeping in view the emerging best practices in the corporate governance, the Board may take actions on recommendation of the RC to apply malus or clawback clause with respect to the KMPs and SMPs in the following scenarios: -

- a. In the event of subdued or negative financial performance of the Company and/or the relevant line of business which is directly attributable to the role of the KMPs/ SMPs.
- b. Key performance indicators as set by the company for individual KMPs and SMPs if not achieved for the respective financial year.
- c. Personally acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation or which is characterized as gross misconduct;
- d. Directing an employee, contractor or advisor to act fraudulently, dishonestly or to undertake other misconduct;
- e. Breaching their material obligations towards the Company through error, omission or negligence.
- f. Harm to Companies reputation on account of KMPs and/or SMPs actions.
- g. Any other situation where the Board and the Remuneration Committee deem invoking Malus/Clawback Clause is necessary and justified.

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

No portion of compensation and/or deferred compensation may be hedged or insured in any form or manner at any time.

The vesting of deferred cash component of variable pay would be at the discretion of the Company in consultation with Remuneration Committee after separation of the employee from the services of the company except in the event of this separation being on account of Malus or Clawback conditions.

In the event of death or permanent disability of the individual the unvested portions of variable pay (Cash Component) will vest immediately except in situations where Malus/Clawback clause apply.

The Board, on recommendation of the Remuneration Committee, may on occurrence of any of the aforesaid event(s) decide to malus or clawback of the variable pay for a specified period during which malus and/or clawback can be applied, covering at least the deferral and retention periods.

While taking the decision related to malus and/or clawback as mentioned above, the Board will consider whether the application of the provisions may result in unintended consequences, or may prejudice the interests of the Company in any related proceeding or investigation, or any pending legal proceedings related to fraud or intentional illegal conduct etc.

REVISION IN REMUNERATION

In case of revision in remuneration of KMPs and SMPs post their appointment, the proposed revision is to be placed before the Remuneration Committee for its ratification subject to approval by the Board of Directors. The remuneration proposed will be consistent with the guidelines as stated above.

POLICY REVIEW AND AMENDMENT

This Policy may be reviewed on annual basis by the Remuneration Committee and may be amended from time to time subject to the approval of Board to ensure its relevance to the prevailing business/regulatory requirements.