

PROVIDENT HOUSING LIMITED

NOMINATION AND REMUNERATION POLICY

QMS/PHL/1	Date: 29.09.2014
Prepared By	Group CS Dept.
Reviewed By	Company Secretary of Puravankara Limited
Approved By	Director
Issued By	Head Planning & Process / Management Representative
Process Owner	Finance & CS Dept.

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I. PREAMBLE

According to Section 178 of the Companies Act, 2013, the Board of Directors of every listed Company and prescribed class of Companies are required to constitute a Nomination and Remuneration Committee.

II. GOVERNANCE OF NOMINATION & REMUNERATION COMMITTEE**CONSTITUTION OF NOMINATION & REMUNERATION COMMITTEE (NRC):**

The Compensation Committee was constituted on September 29, 2014 vide a Resolution passed at the Board Meeting held on September 29, 2014. The present composition of the Nomination and Remuneration Committee is as follows:

Nani R. Choksey	Chairman
Ashish Ravi Puravankara	Member
Pradeep Guha	Member, Independent Director
RVS Rao	Member, Independent Director

Further, the Board shall reconstitute the Committee as and when required to comply with the provisions of the Companies Act, 2013, and applicable provisions.

CHAIRMAN:

Mr. Nani R. Choksey be appointed as Chairman of the Committee.

The Chairman of the Committee or in his absence, any other member of the Committee authorised by him in this behalf shall attend the general meetings of the company.

MEMBERSHIP:

The Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors. 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 such Committee.

The Membership of the Committee shall be disclosed in the Annual Report.

TERM OF THE COMMITTEE:

Term of the Committee shall be continued unless terminated by the Board of Directors.

MEETINGS:

The NRC meetings shall normally meet as required and shall be summoned by the Committee Secretary. Notice of all meetings confirming the venue, time and date together with an agenda of items to be discussed and supporting papers as may be necessary shall be forwarded to each member of the NRC, and to any other person required to attend (if necessary).

QUORUM:

The quorum for the Nomination and Remuneration Committee Meeting is 2 members.

VOTING:

a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

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MINUTES OF COMMITTEE MEETING:

Proceedings of all meetings shall be minuted and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting shall be tabled at the subsequent Board and Committee meeting.

III. OBJECTIVES OF THE POLICY

The Committee assists the Board in establishing remuneration policies and practices relating to:

- a) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- b) Formulation of criteria for evaluation of Independent Directors and the Board;
- c) Devising a policy on Board diversity;
- d) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

IV. DEFINITIONS

Unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them in the Companies Act, 2013, as amended from time to time.

“Board of Directors” means the Board of Directors of **Provident Housing Limited** as constituted from time to time:

“Company” or “the Company” or "PHL" means **Provident Housing Limited**;

“Committee” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

“Directors” mean Directors of the Company.

“Independent Director” means a director referred to in Section 149 (6) of the Companies Act, 2013

“Key Managerial Personnel (KMP)” in relation to a company, means

- i. the Chief Executive Officer or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-Time Director;
- iv. the Chief Financial Officer; and
- v. such other officer as may be prescribed; [Section 2(51) of the Companies act, 2013]

“Nomination and Remuneration Committee” shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.

“Policy” or “This Policy” means, “Nomination and Remuneration Policy.”

“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” 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.

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V. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

APPOINTMENT CRITERIA AND QUALIFICATIONS:

1. 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.
2. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
3. The Company shall not appoint or continue the employment of any person as Managing Director / Whole-time Director / Manager who has attained the age of 70 (seventy) years. Provided that the term of the person holding this position may be extended beyond the age of 70 (seventy) years with the Approval of shareholders by passing a Special Resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond 70 (seventy) years.

LETTERS OF APPOINTMENT:

Each Director / KMP / Senior Officials is required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned in the Company.

TERM / TENURE:

MANAGING DIRECTOR/ WHOLE-TIME DIRECTOR

The Company shall appoint or re-appoint any person as its Managing Director/ Whole-Time Director for a term not exceeding 5 (five) years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

MATTERS CONNECTED TO INDEPENDENT DIRECTORS:

TERM OF APPOINTMENT

An Independent Director shall hold office for a term upto 5 (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, for an additional term of 5 (five) consecutive years.

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.

At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to 7 (seven) listed companies as an Independent Director and 3 (three) listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

COMMITTEES

Independent Directors may be required to serve on one or more of the Committees of the Board (Existing or those which may be constituted in future) as may be decided by the Board from time to time. The existing Committees of the Board are Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee. The role of those aforesaid Committees of the Board would be as may be determined by the Board of Directors of the Company, from time to time.

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The Board of Directors of the Company may decide to constitute such other Committees of the Board as may be necessary for effective functioning of the Organisation.

(1) A director shall not be a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which he is a director which shall be determined as follows:

(a) the limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded;

(b) for the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.

APPOINTMENT ON THE BOARD OF THE WHOLLY OWNED SUBSIDIARIES OF THE COMPANY

As a sequence to the Compliance to the Companies Act, 2013, the Company may endeavour to appoint Independent Directors with their express consent, as a Director of one / more of the Wholly-owned Subsidiaries of the Company.

VI. CRITERIA FOR MAKING PAYMENT TO DIRECTORS (NON-EXECUTIVE AND EXECUTIVE) AND SENIOR MANAGEMENT PERSONNEL / KEY MANAGERIAL PERSONNEL

DIRECTORS:

Directors in a Company can be classified as Executive Directors/ Non-Executive Directors.

Executive Directors are the Directors on the Board of a Company who are additionally Employees of the Company / are on the Rolls of the Company.

Non-Executive Directors are Directors on the Board of the company who are not Employees of the Company / are on the Rolls of the Company. Non-Executive Directors can further be classified as Independent & Non Independent.

SENIOR MANAGEMENT PERSONNEL:

Senior Management Personnel also known as Key Managerial Personnel (KMP)

“Key Managerial Personnel (KMP)” in relation to a company, means

- i. the Chief Executive Officer or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-Time Director;
- iv. the Chief Financial Officer; and
- v. such other officer as may be prescribed; [Section 2(51) of the Companies act, 2013]

CRITERIA OF MAKING PAYMENTS CAN FURTHER BE CLASSIFIED AS:

- A. Criteria of Making Payments to Non-Executive Directors
- B. Criteria of Making Payments to Executive Directors [Sec 197 of the Companies Act, 2013].
- C. Criteria of Making Payments to Senior Management Personnel / Key Managerial Personnel.

A. CRITERIA OF MAKING PAYMENTS TO NON-EXECUTIVE DIRECTORS:

Non-Executive Independent Directors (NEID) of the Company play an important role as a part of the Board. They bring in external and wider perspective to the decision-making by the board and provide leadership and strategic guidance, while maintaining objective judgment. They also help the Company in ensuring that all legal requirements and Corporate Governance are well taken care of.

The responsibilities and obligations imposed on the Non-Executive Independent Directors have increased manifold in the recent years on account of a number of factors, including the growth in the activities of the Company and the rapid evolution arising out of legal and regulatory provisions and requirements.

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Non-Executive Independent Directors (**NEID**) of the Company are entitled to:

- a) **Sitting Fees** for the meetings of the Board of Directors attended by them.
- b) **Commission** on an Annual Basis, within the ceiling specified under the Companies Act, 1956 / Companies Act, 2013, based on the necessary approval of the Shareholders.
- c) **Reimbursement of Travelling Expenses** for their attending the Board and Committee Meetings. No payment by way of Bonus, Pension, Incentives etc. is paid to any of the Non-Executive Independent Directors.
- d) The Company presently has no Stock Option Plans

SITTING FEES:

The Non-Executive Independent Directors were / are paid Sitting Fees **for every Meeting of the Board and Audit Committee**, put together, attended by them as stated hereunder:

With effect from April 1, 2016, the following sitting fees is payable by the Company.

Type of meeting	Sitting fee payable to each Independent Director
Meetings (including adjournments thereof) of the Board and of its committees held on the day of Board Meeting	Rs.60,000
Meetings (including adjournments thereof) of Committees of the Board (including the meeting of Independent Directors) on a day other than the day of Board meeting	Rs. 15,000

B. CRITERIA OF MAKING PAYMENTS TO KEY MANAGERIAL PERSONNEL:

The Board on the recommendation of the Nomination and Remuneration Committee, shall review and approve the remuneration payable to the Senior Management Personnel/Key Managerial Personnel of the company.

Senior Management Personnel/Key Managerial Personnel are entitled to a Remuneration which shall include one or more of the following components:

- a) Basic Salary
- b) Perquisites and Allowances
- c) Annual Performance Bonus (if any)

The Annual Plan and Objectives for Executive Directors and Senior Executives (Executive Committee) shall be reviewed by the Nomination Committee.

VII. LIMITS IN CONNECTION WITH MANAGERIAL REMUNERATION TO EXECUTIVE DIRECTORS / INDEPENDENT DIRECTORS

Section 197(1) of the Companies Act, 2013 provides for the total managerial remuneration payable by the Company to its directors, including Managing Director and Whole-time director in respect of any financial year shall not exceed **11% (eleven)** of the Net Profits of the Company computed in the manner laid down in Section 198 of the said Act.

- a) The Company with the Approval of the Shareholders and Central Government may authorise the payment of remuneration **11% (eleven)** of the Net Profits of the Company, subject to the provisions of **Schedule V**, of the said Act.
- b) The Company may with the approval of the shareholders authorise the payment of remuneration upto **5% (five)** of the Net Profits of the Company to its anyone Managing Director/Whole Time Director and upto **10% (ten)** in case of more than one such Director.

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- c) The Company may pay remuneration to its directors (other than Managing Director and Whole Time Director) upto **1% (one)** of the Net Profits of the Company, if there is a Managing Director or Whole-Time director or manager and **3% (three)** of the Net Profits in any other case.
- d) The Net Profits for the purpose of the above remuneration shall be computed in the manner referred to in Section 198 of the Companies Act, 2013.

VIII. OTHER MATTERS:

EVALUATION OF PERFORMANCE:

The Committee shall carry out Evaluation of Performance of every Director, KMP and Senior Management at regular interval (yearly) as detailed in **ANNEXURE – I**, hereunder:

REMOVAL:

Due to reasons for any disqualification mentioned in the Companies Act,2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

RETIREMENT:

The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

DIRECTORS AND OFFICERS (D&O) INSURANCE COVER:

The Company covers all its Directors & Officers (**D&O**) with a **D&O Policy** and pays the premium accordingly. The said Policy is intended to pay for the Personal Liability of Directors and Officers for claims (if any), made against them, while serving on the Board and / or as an Officer of the Company. The copy of the said **D&O Policy** can be furnished if necessary.

DEALING IN SHARES:

Directors are prohibited from dealing in the Holding Company's shares during the period when the **Trading Window** is closed. Further, directors, being designated officers of the Company for the purpose of insider trading guidelines, are required to obtain **Pre-clearance** for all Trades (buy/sell/gift) from the Company Secretary and the Compliance Officer of the Company. All Directors are required to comply with the applicable insider trading laws and regulations.

CONFLICT OF INTEREST:

- (a) It is accepted and acknowledged that Directors may have business interests other than those of the Company. They are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form.
- (b) During their term, they agree to promptly provide a declaration under Section 149(7) of the Act, upon any change in the circumstances which may affect their status as an Independent Director, wherever applicable. Further, they shall also agree to confirm compliance with the said criteria of independence on a Financial yearly basis, wherever applicable.

TAXATION:

All taxes shall be deducted by the Company as per Income Tax Act and other applicable Act, and it is the sole responsibility of the Director to file the Tax Returns.

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CONFIDENTIALITY:

Directors may will have access to confidential information, whether or not the information is marked or designated as “Confidential” (or) “Proprietary”, relating to the Company and its business including legal, financial, technical, commercial, marketing and business related records, data, documents, reports, etc., client information, intellectual property rights (including trade secrets), (“**Confidential Information**”).

Directors shall use reasonable efforts to keep such information confidential and to not disclose to any third party. If any Confidential Information is required to be disclosed by them in response to any summons or in connection with any litigation, or in order to comply with any applicable law, order, regulation or ruling, then any such disclosure should be, to the extent possible, with the prior consent of the Board.

ANNUEXURE – 1**EVALUATION/ ASSESSMENT OF DIRECTORS/ KMPs/SENIOR OFFICIALS OF THE COMPANY:**

The evaluation/assessment of the Directors, KMPs and the senior officials of the Company shall be conducted on an annual basis and to satisfy the requirements of the Companies Act, 2013 & SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR). The main provisions of Companies Act, 2013 and SEBI LODR on Board Evaluation as applicable to listed entities is summarized as under

The following criteria may assist in determining how effective the performances of the Directors/ KMPs/ Senior officials have been:

- a) Leadership & stewardship abilities
- b) contributing to clearly define corporate objectives & plans
- c) Communication of expectations & concerns clearly with subordinates
- d) Obtain adequate, relevant & timely information from external sources.
- e) review & approval achievement of strategic and operational plans, objectives, budgets
- f) regular monitoring of corporate results against projections
- g) identify, monitor & mitigate significant corporate risks
- h) assess policies, structures & procedures
- i) direct, monitor & evaluate KMPs, senior officials
- j) review management’s succession plan
- k) effective meetings
- l) assuring appropriate board size, composition, independence, structure
- m) clearly defining roles & monitoring activities of committees
- n) review of corporation’s ethical conduct

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Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Non-Independent Directors in a separate meeting of the Independent Directors.

The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

The major aspects of Board Evaluation include the following:

- a. Subject of Evaluation i.e. who is to be evaluated;
- b. Process of Evaluation including laying down of objectives and criteria to be adopted for evaluation of different persons;
- c. Feedback to the persons being evaluated;
- d. Action Plan based on the results of the evaluation process;
- e. Disclosure to stakeholders on various aspects;
- f. Frequency of Board Evaluation;
- g. Responsibility of Board Evaluation and
- h. Review of the entire evaluation process periodically.

Subject of Evaluation

As required under SEBI LODR and Companies Act, the evaluation of the Board involves multiple levels:

- 1. Board as a whole
- 2. Committees of the Board
- 3. Individual Directors and Chairperson (including Chairperson, CEO, Independent Directors, Non-independent directors, etc.)

Internal assessment of the Board is crucial and may be done by following methods:

- a. A detailed Questionnaire to be circulated to individual directors, Committees, Board, etc.
- b. Oral assessments provided by the person on interviews

The **following** questionnaire may enable written answers to be submitted on a confidential basis.

Feedback

Providing feedback to the individual directors, the Board and the Committees is crucial for success of Board Evaluation. On collation of all the responses, the feedback may be provided in one or more of the following ways:

- a. Orally given by Chairman/ external assessor or any other suitable person to
 - i. Each Member separately
 - ii. To the entire Board
 - iii. To the Committees
- b. A written assessment to every member, Board and Committee

The active role of the Chairperson is desirable in providing feedback to the members. If members are not comfortable to open individual assessments, provision for confidentiality may be made where possible. For effectiveness of the evaluation, it is essential that the feedback be given honestly and without bias.

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Questionnaire

CRITERIA FOR EVALUATION OF BOARD/ INDIVIDUAL DIRECTORS/ CHAIR PERSON BY EVERY MEMBER OF THE BOARD

Criteria	Excellent	Very Good	Good	Fair	Poor
Structure of the Board <ol style="list-style-type: none"> 1. Competency of Directors 2. Experience of Directors 3. Mix of Qualifications 4. Diversity in Board under various parameters 5. Appointment to the Board 					
Meetings of the Board <ol style="list-style-type: none"> 1. Regularity of Meetings 2. Frequency 3. Logistics 4. Agenda 5. Discussions and dissent 6. Recording of Minutes 7. Dissemination of Information 					
Functions of the Board <ol style="list-style-type: none"> 1. Role and Responsibility of the Board 2. Strategy and Performance Evaluation 3. Governance and Compliance 4. Evaluation of Risks 5. Conflict of Interest 6. Stakeholder value and responsibility 7. Corporate Culture and Values 8. Review of Board Evaluation 9. Facilitation of Independent Directors 					
Board and Management <ol style="list-style-type: none"> 1. Evaluation of performance of the management and feedback 2. Independence of the Management from the Board 3. Access of the management to Board and Board access to the Management 4. Secretarial Support 5. Fund availability for conducting meetings 6. Board Succession plan 					

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<p>Committees of the Board</p> <ol style="list-style-type: none"> 1. Mandate and Composition 2. Effectiveness of the Committee 3. Structure of Committee Meetings 4. Independence of Committee from the Board 5. Contribution to decisions of the Board 					
<p>Evaluation of Individual Directors and Chairperson</p> <ol style="list-style-type: none"> 1. Qualifications, Experience, knowledge and competency. 2. Fulfillment of functions 3. Ability to function as a team 4. Initiative 5. Availability and attendance 6. Commitment, contribution, integrity. 					
<p>Additional Criteria for Independent Directors</p> <ol style="list-style-type: none"> 1. Independent – Whether person is independent and no conflict of interest. 2. Independent views and judgement – Whether judgement and opinions are voiced freely. 					
<p>Additional Criteria for Chairperson</p> <ol style="list-style-type: none"> 1. Effectiveness of leadership and ability to steer the meetings 2. Impartiality 3. Commitment 4. Ability to keep shareholder interests in mind. 					

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