

Annexure to the Notice

EXPLANATORY STATEMENT

(Pursuant to the provisions of Section 102 of the Companies Act, 2013)

ITEM NO. 1

With the objective of rewarding and motivating key employees for their long association and in recognition of their dedicated services to the Company and also to attract and retain the best talent in the competitive environment and encourage them to align individual performance with Company's objectives, the Company has been granting stock options.

Accordingly, it is hence proposed that in order to focus on performance of the company and ring fence senior / critical employees of the Company for business continuity, a performance based Restricted Stock Unit (RSU) Scheme be introduced. The Board of Directors of your Company has recommended and authorized the Nomination and Remuneration Committee to implement a performance based Employee Restricted Stock Unit Scheme 2020 in the Company.

Performance based Restricted Stock Units fall under the category of share-based employee benefit. For the purpose of this scheme, RSU means an option granted to an employee, which gives the employee the right, but not an obligation, to purchase or subscribe at a future date, shares of the company at the face value (INR 10.00) of the Share subject to certain pre-defined vesting criteria based on both company and individual performance.

The details as required under Regulation 6 and 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations") and the requirements enumerated by the SEBI through the Circular no CIR/CFD/Policy Cell/2/2015 dated June 16, 2015, are as under:

a) Brief description of the Scheme:

The Company proposes to introduce PNB Housing Employees Restricted Stock Units Scheme 2020 to strengthen the link between company performance and compensation as well as to attract and retain the talented and key eligible employees (present and future) of the Company in the competitive

environment and encourage them to align individual performance with the Company's objectives. The Company views performance-based employee restricted stock units as instruments that would enable the employees to share the value they would create and contribute to the Company in the years to come. Restricted Stock Units granted under the Scheme shall vest on satisfaction of vesting conditions which are a combination of company and individual performance and can thereafter be exercised resulting in allotment of equity shares of the Company. The Nomination and Remuneration Committee ("Committee") shall administer RSU Scheme 2020. All questions of interpretation of the RSU Scheme 2020 shall be determined by the Committee and such determination shall be final, conclusive and binding.

b) Total number of Options, Stock Units, Shares or Benefits to be granted:

The total number of Restricted Stock Units to be granted under RSU Scheme 2020 shall not exceed 5,00,000 (Five Lakh Only). Each RSU when exercised shall be converted into 1 (one) fully paid up equity share of the Company. The RSU may be granted in one or more tranches as may be decided by the Committee. In case of any corporate action(s) such as right issues, bonus issues, change in capital structure, merger, split, consolidation of shares, the ceiling as aforesaid of 5,00,000 (Five Lakh Only) shares shall be deemed to be increased/decreased, as may be determined by the Committee, to facilitate making a fair and reasonable adjustment to the entitlements of participants under RSU Scheme 2020 such that the total value to the employee of the RSU remains the same after the corporate action.

c) Identification of classes of employees entitled to participate and be beneficiaries in RSU Scheme 2020:

Following classes of employees are entitled to participate in RSU Scheme 2020.

- a) Permanent employees of the Company with the designation Senior Manager II and/or above;

- b) Director of the Company, whether a Managing Director or not (excluding Independent Director);
- c) Such other persons, as may from time to time be allowed under Applicable Laws and as may be decided by the Committee.

d) Requirements of vesting and period of vesting:

RSUs Granted under this Scheme would vest based upon the criteria as may be decided by the Committee and specified in the Grant Letter. The entire Restricted Stock Unit Grant is proposed to be performance based. The vesting conditions are proposed to be a combination of company and individual performance conditions. The number of Restricted Stock Units vesting shall go down if the performance is below the targets as defined by the Board. If the performance is below threshold level of performance, no Restricted Stock Units shall vest. The vesting period shall commence any time after the expiry of 1 (one) year from the date of the Grant of such options and shall end over a maximum period of 4 (four) years from the Grant date. The number of RSU and terms of the same made available to the employees (including vesting) may vary at the sole discretion of the Committee.

e) Maximum period within which the RSUs shall be vested:

The maximum period within which RSUs granted under RSU Scheme 2020 shall vest would not be more than 4 (four) years from the date of grant of such RSUs or such other period as may be decided by the Committee from time to time. Further, no vesting will be done prior to one year from the date of grant of options.

f) Exercise price or pricing formula:

The exercise price will be INR 10.00 per Equity Share within the meaning of the Scheme determined with reference to the grant date.

g) Exercise period and the process of Exercise:

Eligible Employee(s) will be permitted to exercise vested RSUs on and from the date of vesting of the RSUs for an exercise period

as may be determined by the Committee and set out in the Grant Letter. However, in no event shall the Exercise Period exceed a period of 1 (One) year from the Vesting Date. The vested RSUs shall be exercisable by the employees by submitting an application to the Company/Committee expressing his/her desire to exercise such vested options in such manner and in such format as may be prescribed by the Committee. The vested RSUs shall lapse if not exercised within the specified exercise period.

h) Appraisal process for determining the eligibility of employees under RSU Scheme 2020:

The appraisal process for determining the eligibility shall be decided by the Committee from time to time.

i) Maximum number of RSUs to be issued per employee and in aggregate:

The number of RSUs that may be granted per employee of the Company in any financial year and in aggregate under the RSU Scheme 2020 shall be less than 1% of the issued Equity Share Capital (excluding outstanding warrants and conversions) of the Company at the time of grant RSUs. Further, the maximum number of RSUs to be issued in aggregate shall not be more than 500,000 which shall be converted into 500,000 fully paid up equity shares of INR 10/- each.

j) Maximum quantum of benefits to be provided per employee under the RSU Scheme 2020:

Same as above of point (i).

k) Implementation or administration of Scheme:

The Scheme shall be implemented and administered directly by the Company.

l) Source of acquisition of shares under the Scheme:

The Scheme contemplates primary issuance of new shares by the Company.

m) Amount of loan to be provided for implementation of the Scheme(s) by the

Company to the trust, its tenure, utilization, repayment terms, etc.:

Not applicable

n) Maximum percentage of secondary acquisition:

Not applicable

o) Disclosure and Accounting Policies:

The Company shall comply with the accounting policies and disclosure requirements prescribed under Regulation 15 of SEBI SBEB Regulations.

p) Method of option valuation:

The Company shall adopt the fair value method or any other method as per applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India or prescribed under any other statutory provisions from time to time for valuation of options.

q) Declaration (if applicable):

Fair value method shall be opted by the Company for expensing the benefits of the Scheme.

Pursuant to Section 62(1)(b) of the Act, further equity shares may be issued to persons other than existing Members of the Company subject to approval of Members by way of Special Resolution. Further, consent of the Members is also required under SEBI SBEB Regulations by way of a Special Resolution.

As the RSU Scheme 2020 provides for issue of Shares to be offered to employees of the Company, Consent of the members is being sought pursuant to Section 62(1) (b) and all other applicable provisions, if any, of the Act and as per Regulation 6 of the SEBI SBEB Regulations. A draft copy of the RSU Scheme 2020 is available at the registered office of the Company.

None of the Directors or Key Managerial Personnel and their relatives are, in any way, concerned or interested financially or otherwise, in the proposed resolution, except to the extent of the stock options that may be granted to them under RSU Scheme 2020.

The Board of Directors recommends this special resolution for the approval of members through Postal Ballot.

By order of the Board

(Sanjay Jain)
Company Secretary & Head Compliance
Membership Number: F2642

Date: December 18, 2020
Place: New Delhi